Annual Report 2019
AVJennings Limited
ABN 44 004 327 771

Housing matters. Community matters.

AVJennings

"We're always looking to improve what we do and offer people more."

Stenio Orlandi, COO

Contents.

“We will continue to focus on delivering quality, affordable housing...”

Simon Cheong, Chairman

Chairman's Report.

Dear fellow shareholders, on behalf of the Board of Directors, I am pleased to present our 2019 Annual Report.

I would like to begin by thanking you for your investment and commitment to AVJennings. The last year has been challenging for property developers, investors and purchasers alike, but it has been pleasing to have the continued support of our shareholders.

The tougher than expected market conditions, particularly in Sydney and Melbourne, where transaction volumes and pricing fell the furthest, were well documented in the financial press and persisted through to the latter part of the financial year. However, we believe that the market has reached its bottom and there are reliable early indicators of recovery.

In this challenging year, the Company recorded revenues of $296.5 million and profit before tax of $23.8 million.

Our margins held up well, even increasing slightly to 24.5%. Cash flows were weaker than in the prior year, reflecting lower sales. As a predominantly horizontal developer we are able to regulate the volume of production in line with market conditions. Although we reduced work-in-progress (WIP) by 18% overall, we were nevertheless able to bring a number of projects to production stage. As at 30 June 2019, we had 1,600 lots in WIP which will enable us to respond to a strengthening market and provide us with a solid platform for FY20.

Our balance sheet remains strong, with net assets of $396 million. Our debt to assets gearing ratio remains well within the Company's target range of 15- 35% and continues to follow the traditional pattern of rising with production in the first half, before declining with stronger settlements in the second.

The quality and quantity of our land bank remains one of our long-term goals for a sustainable business. While the land bank remained steady at 9,531 lots under control as of 30 June 2019, it will increase significantly to ~13,500 lots once the recently announced transaction relating to a significant master-planned project at Caboolture in Queensland completes. The Caboolture project between Brisbane and the Sunshine Coast will underpin growth and provide a solid base for the Queensland business for a long time. More recently, we announced a development agreement with Victoria's Department of Housing for the renewal of an ageing public housing estate in Brunswick West, an inner Melbourne suburb. Sydney remains a difficult market in which to secure sizeable land parcels, but our acquisitions team continues to assess and bid on potential targets.

Recent media commentary suggesting the residential housing market is past its low point is consistent with our internal lead indicator data and provides comfort that conditions are slowly improving. This was a factor in the Board declaring a 1.5 cent fully franked final dividend, taking dividends for the year to 2.5 cents per share.

Fundamental drivers of demand remain in place, with continued population growth in our major markets, continuing low interest rates, and a relatively stable economic and employment environment. This bolsters our confidence in the future.

We will continue to focus on delivering quality, affordable housing in our major markets to maintain our exposure to the most stable part of the residential market

and are excited about the year ahead and the opportunities before us.

I would like to express thanks to my fellow Board members for their dedication during the year, including our new Non-Executive Director, Philip Kearns AM. We are delighted to have a person of Philip's calibre join our Board. His broad industry experience, energy and enthusiasm will complement the Board's existing mix of experience and skills.

On behalf of the Board, I would like to thank our management, employees, partners and shareholders for their continuing support and commitment.

Simon Cheong
Chairman


AVJennings

2019 Highlights.

Financials.

Revenue -20.3% ↓

$296.5m

Profit before tax -47.1% ↓

$23.8m

Cash receipts from customers

$355.9m

Inventory.

WIP Pipeline

~1,600 **lots**

Diversified mix of land, housing and apartments

+970 **settlements**

Under control

9,531 **lots**

Capital Management.

Total fully franked dividends

2.5 **cps**

Net debt

$182m

Gearing

26.6%

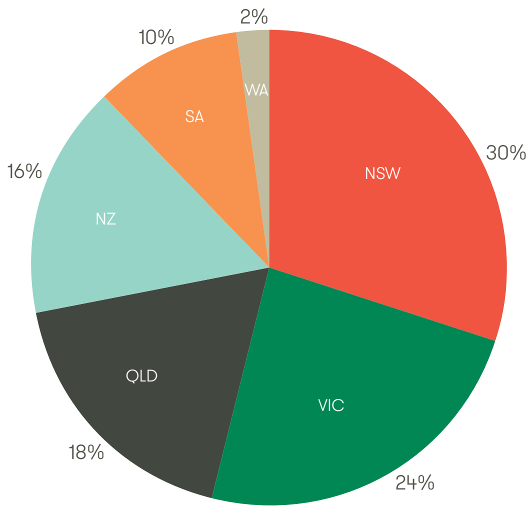
(inside 15-35% target range)

YOY Comparison

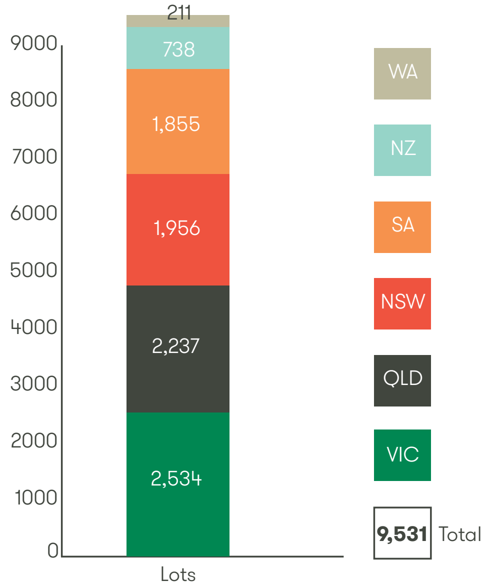
	FY19	FY18	%change
Revenue	**$296.5m**	$372.2m	(20.3%)
Profit before tax	**$23.8m**	$45.1m	(47.1%)
Profit after tax	**$16.4m**	$31.3m	(47.6%)
Gross Margins	**24.5%**	24.0%	0.5pp
Net Tangible assets	**$393.5m**	$396.2m	(0.7%)
NTA per Share	**$0.97**	$1.00	(3.4%)
EPS	**4.1**	8.1	(49.7%)
Dividend fully franked	**2.5**	5.0	(50%)

Property Portfolio.

Net funds employed by region.



Number of lots at 30 June 2019.



Project locations.

Project Pipeline.

Project pipeline as at 30 June 2019.

Pre-delivery phase
Development phase

	Communities	Remaining no. of lots.
NEW SOUTH WALES	Argyle, Elderslie	146
	Magnolia, Hamlyn Terrace	50
	Evergreen, Spring Farm (South)	91
	Evergreen, Spring Farm (East Village)	441
	Seacrest, Sandy Beach	24
	Arcadian Hills, Cobbitty Stages 1 - 8	177
	Arcadian Hills, Cobbitty Stages 9 & 10	25
	Arcadian Grove, Cobbitty	57
	Warnervale	595
	Evergreen, Spring Farm	60
	Kogarah (apartment project)	56
	Huntley	231
QUEENSLAND	Creekwood, Caloundra	70
	Glenrowan, Mackay	177
	Essington Rise, Leichhardt	5
	Parkside, Bethania	90
	Anise, Bridgeman Downs	63
	Arbor, Rochedale 2	55
	Riverton, Jimboomba	1,196
	Deebing Springs, Deebing Heights	210
	Arbor, Rochedale 1	79
	Cadence, Ripley	292
NEW ZEALAND	Buckley B, Hobsonville Point	156
	Ara Hills, Orewa	582
VICTORIA	Lyndarum, Wollert	95
	Lyndarum North, Wollert JV	1,872
	Waterline Place, Williamstown	336
SOUTH AUSTRALIA	Pathways, Murray Bridge	53
	River Breeze, Goolwa North	80
	St Clair	284
	Eyre at Penfield	1,428
WESTERN AUSTRALIA	Indigo China Green, Subiaco Fine China Precinct	80
	Viridian China Green, Subiaco Fine China Precinct	14
	The Heights, Kardinya	85
	Viveash	4
	Parkview, Ferndale	28

- Excludes 230 lots at Mernda, Victoria (conditional)
- Excludes 13 remnant lots

"We want to make sure that our customers' lives are all the better for the housing and communities they live in."

Peter Summers, CEO

Chief Executive Officer's Report.

The Chairman's Report and Review of Operations cover extensively a number of matters. They address the market conditions and our focus on achieving settlements from pre-sales on hand at the start of FY19. They also cover in detail our balance sheet and our land bank. In particular they highlight two significant transactions that have been entered into since year end - our partnership at Brunswick West with the Victorian Government and our Heads of Agreement in relation to around 3,500 lots at Caboolture in Queensland.

They also talk to a growing confidence that market conditions are improving, especially in the key markets of Melbourne and Sydney. That growing confidence matches well with the advancements we have made in many projects across regions and particularly in Auckland and Queensland.

What I'd like to address in my Report does not go over these matters again, but talks to our commitment to long term strategy and long term sustainable success.

Whilst market conditions made new sales challenging for much of FY19, there was still considerable activity within the industry as development occurred as a consequence of strong sales in previous years. Therefore, the costs, and mainly availability, of trades and materials was still problematic and achieving completion of relevant stages was not without its challenges. Restraints on availability of finance to buyers also raised risks in achieving settlements.

I have no doubt our outcomes in terms of completions and settlements reflect a trust in our brand, our investment in improving our skills base across the business, our investment in our systems, and our belief in fostering relationships with suppliers and business partners.

Likewise, whilst Brunswick West and Caboolture West are significant as individual projects, it is how they were achieved that is especially rewarding. Both required, and will continue to require, significant effort to advance them to projects that contribute to our bottom line.

They show the type of long-term vision that is required to ensure the Company is well placed for the future.

The most important aspect of any business is people. They, together with our brand, our values and our commitment to why we exist ultimately defines AVJennings.

Downturns test many things. They test the quality of your projects. They test your balance sheet. They test your systems and methods. But more importantly, they test people, they test relationships, and they test your brand.

I'm proud to say we have come through FY19 well in response to these tests.

At a time when trust is even more important to buyers, AVJennings was highly commended for being one of the most trusted brands in Australia in a public survey conducted by the Reader's Digest trusted brands program.

We continue to invest in both our people and our key business relationships. This investment isn't just aimed at preserving what has been established over 87 years since 1932. It is designed to add to that through a commitment to innovation and being ready for what is always a changing world.

We also continue to stay true to our values and the reason we exist. We truly believe Housing Matters, Community Matters. We want to make sure that our customers' lives are all the better for the housing and communities they live in. And true to that, we continue to invest in our relationships with the wider community, whether that be supporting our staff in their own community endeavours and through direct partnerships with great organisations such as the Steve Waugh Foundation.

So, whilst we can focus on the numbers in this Annual Report, and the short-term aspects in particular, I do believe FY19 will prove in time to have played a crucial part in AVJennings achieving its long-term goals.

None of this can be achieved without significant support and effort. I thank my executive team and all AVJennings staff for their enormous efforts during a challenging year. I am sure we are all looking forward to seeing the results of those efforts moving forward. I also thank the Board, all our business partners and our shareholders for their support over the past 12 months.

Peter Summers
CEO

Voted by Australians Highly Commended TRUSTED BRAND 2019 Reader's Digest Property Developer

Committed to Creating and Supporting Communities.

> "We are proud to know so many of our staff give so much of themselves to the community."
>
> David Lowden,
> Head of Community

It is true that the world is a more complex place and we often hear from those around us about never seeming to have enough time. Our societies are changing and the pace of change seems to be ever increasing.

But looking at this through a different lens can also be seen as the world being more diverse, with our lives offering us more choice. Our communities are becoming more diverse and we benefit from that diversity in so many ways as new cultures bring everything from new ideas, food and lifestyles.

As our communities change, we too need to understand those changes and incorporate into our communities and into our housing choices those features that are required to meet those changes, and to allow the positives of those changes to thrive.

And whilst much evolution occurs, so much stays the same. As busy as our lives have become, we want that sense of calm when we arrive home. We want our individualism to shine through as the world gets smaller and differences start to blend. We want to feel safe but we don't want isolation. We want to be part of thriving and vibrant communities.

We take the time to masterplan our communities so that it is easier for people to meet each other, while retaining individual privacy and personal security.

Community matters. It matters because feeling like you belong to a community is so important for every individual's wellbeing and that has flow on effects for society in general.

Another constant in this ever changing world is the Australian and New Zealand pride in lending a hand to those who need it. We are two nations who are renown for their generousity. Often this is in response to major events such as natural disasters. But most of this occurs every day, in all sorts of ways.

At AVJennings, while we work hard to make our housing estates great places to live, we also want to contribute to the broader community by supporting various groups that align with our values and make a positive contribution to society.
There is no greater example of this than Neale Daniher who has selflessly raised money and awareness for sufferers of Motor Neurone Disease (MND) since being diagnosed with it himself in 2014. Daniher won the 2019 Victorian of the Year Award, proudly supported by AVJennings.

Our Company has been a long-standing champion of women's sport through our partnerships with the Melbourne Boomers in the Women's National Basketball League and the Queensland Firebirds in the Super Netball League.

And although former Australian netball captain Laura Geitz has retired her Firebirds' bib, we are delighted she remains part of the AVJennings' team as a company ambassador, alongside another former national team captain, Steve Waugh. Both are highly respected figures in the community, not only for their superb sporting careers, but because they are excellent role models. We were also pleased to welcome St Kilda Football Club player ambassador Jade Gresham who is himself a role model, particularly for people of Indigenous heritage. Gresham will be instrumental in further improving our knowledge of Aboriginal Australian culture.

As part of our commitment to develop diverse communities, we became a major sponsor of the inaugural RunWest festival in western Sydney, which was established to celebrate the diversity of the region and to encourage an active lifestyle. The event attracted almost 7,000 people with more than 300 people helping to stage the event as part of the AVJennings Volunteer Workforce.

On the topic of volunteers, two of our staff members were part of the support crew for the Puka Up ride that raises awareness of mental health issues. AVJennings was pleased to again be able to partner with mental health advocate Wayne Schwass to help reduce the number of people who take their own life each year.

Helping those in need is what the Steve Waugh Foundation (SWF) does day in and day out. The Foundation provides grants and much-needed equipment to the families of children and young people suffering from diseases so rare that they slip 'between the cracks' of the health care support system. AVJennings was the inaugural partner of the Foundation and we are pleased to be able to continue to support its great work.

And it's not just through direct AVJennings support. For example, for the past 10 years, many AVJennings staff, their families and friends have competed in the Sydney City to Surf challenge, raising over $125,000 for SWF. Overall, support from AVJennings to SWF has reached well over $1 million.

We are also proud to know so many of our staff give so much of themselves to the community, especially as volunteers and where possible we support them in these endeavours.

For AVJennings, contributing to the Community is not a box ticking exercise in corporate social responsibility, it's at the core of everything we do.

Proud sponsors of

Our Communities.

Argyle, Elderslie

New South Wales.

New South Wales has experienced softer market conditions in the last year after its record highs of the last few years. However, there has been recent signs of a market recovery.

We expect demand to increase for quality, affordable homes in the areas where we have residential communities. AVJennings has three projects in the south-west corridor of Sydney as well as a dream lifestyle neighbourhood at Hamlyn Terrace on the Central Coast.

Deebing Springs, Artist Impression

Queensland.

Queensland is set to become a significant contributor to future profit with a number of projects to make contributions this financial year. We have a strong presence in the Ipswich region with the Cadence residential community in Ripley and Deebing Springs in Deebing Heights.

There have also been some exciting acquisitions with AVJennings now owning 100% of the Riverton project in Jimboomba and we entered into a binding heads of agreement to develop 3,500 lots in Caboolture (located between Caloundra and Brisbane).

Eyre Sports Park, Eyre

St Clair Townhomes

South Australia.

It is apt that the suburb and our Eyre residential community share the same name because the residents have a strong bond with where they live. The Eyre Sports Park on the doorstep of the housing estate is a jewel in the crown of the area and AVJennings is proud to sponsor clubs that call it home.

St Clair continues to be the envy of many with its integration of different housing types, wetlands, playing fields, public transport, shopping centre and amenities all within the boundary of the residential community.

Victoria.

The first residents of the beautifully designed Lyndarum North residential community moved in this year. They'll soon be joined by many more with dozens of new homes under construction each month.

Waterline Place at Williamstown is now a vibrant village within a village thanks to the completion and settlement in 2019 of the GEM apartments.

And AVJennings was proud to be selected by the Victorian Government as its preferred partner in a public housing renewal project in Brunswick West which will see a mix of private and public housing in a campus style precinct.

Lyndarum North, Artist Impression

GEM Apartments, Waterline Place

New Zealand.

AVJennings continued to increase its presence in New Zealand with the significant acquisition of Ara Hills in Orewa, north of Auckland. The first builder sales of sections will commence in this financial year.

Hobsonville Point has $27 million of pre-sales on hand for the Buckley B stage. This will see our New Zealand operations make a much larger contribution to revenue in FY20.

Ara Hills, Orewa

Directors' Report.

The Directors of AVJennings Limited present their report together with the Financial Report of the Group (referred to hereafter as "AVJennings" or "Group") and the Auditor's Report thereon for the year ended 30 June 2019. The Group comprises AVJennings Limited ("Company" or "Parent") and its controlled entities.

DIRECTORS

The Directors of AVJennings Limited during the financial year and up until the date of this Report are as follows. Directors were in office for the entire period unless otherwise stated.

S Cheong	Non-Executive Chairman
RJ Rowley	Non-Executive Deputy Chairman
PK Summers	Managing Director and Chief Executive Officer
E Sam	Non-Executive Director
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
BL Tan	Non-Executive Director
P Kearns	Non-Executive Director (appointed 21 March 2019)

PRINCIPAL ACTIVITY

The principal activity of the Group during the year was Residential Development.

OPERATING RESULTS

The consolidated profit after tax for the financial year was $16.4 million (2018: $31.3 million).

DIVIDENDS

Dividends paid during the financial year were as follows:

Cash dividends declared and paid	**2019 $'000**	**2018 $'000**
2017 final dividend of 3.5 cents per share, paid 19 September 2017. Fully franked @ 30% tax	-	**13,455**
2018 interim dividend of 2.0 cents per share, paid 19 April 2018. Fully franked @ 30% tax	-	**7,688**
2018 final dividend of 3.0 cents per share, paid 11 October 2018. Fully franked @ 30% tax	**11,848**	-
2019 interim dividend of 1.0 cent per share, paid 22 March 2019. Fully franked @ 30% tax	**4,062**	-
Total cash dividends declared and paid	**15,910**	**21,143**

Subsequent to the end of the financial year, the Directors have declared a fully franked final dividend of 1.5 cents per share to be paid on 20 September 2019 (2018: 3.0 cents). The Dividend Reinvestment Plan (DRP) is suspended.

OPERATING AND FINANCIAL REVIEW

Financial Results

The Company recorded a Net Profit Before Tax of $23.8 million for the year ended 30 June 2019, down 47% on the previous year (30 June 2018: $45.1 million) and Net Profit After Tax of $16.4 million (30 June 2018: $31.3 million).

On 2 August 2019 the Company provided a market update indicating that its NPBT for FY19 would be approximately $23 million, and the result is in line with this guidance.

Profit for the year was adversely affected by a deterioration in consumer confidence in the residential property market, particularly in the large Melbourne and Sydney markets. This lack of confidence was despite continuing strong industry fundamentals and did not begin to abate until late in FY19 following the Federal election in May 2019, lowering of interest rates and the prospect of improved availability of mortgage finance for customers.

Dividends

Directors declared that a fully franked final dividend of 1.5 cents per share be paid in September 2019, taking total dividends declared for FY19 to 2.5 cents per share, fully franked.

Business Overview

For reasons above, FY19 proved to be a very challenging year. There were fewer contracts signed than in the preceding financial year, with the result that the Company's performance was underwritten to a greater degree by the settlement of contracts signed in prior periods. This included settlements with good margins at Lyndarum North and 'Waterline Place' (GEM Apartments) in Victoria, together with settlements at 'Arcadian Hills' Cobbitty, 'Argyle' Elderslie, 'Evergreen' Spring Farm and 'Magnolia' Hamlyn Terrace in NSW. Pleasingly, the rate of settlement failure experienced by the Company was negligible, although a higher number of customers did require a short extension to their contracted settlement period to obtain mortgage finance.

FY19 also saw other initiatives and outcomes which, although not materially impacting on results in that year, will be important factors in coming years.

In Queensland we were able to advance a number of projects which will see more stages from more projects move into profit recognition in FY20. One of those projects is our significant 'Riverton' project in Jimboomba, the remaining 50% of which was acquired from the former joint venture partner during the year.

We also substantially advanced development work for the Buckley B stage at Hobsonville Point, Auckland, for which some $26.9 million of pre-sales are on hand. The wholesale nature of our current New Zealand operations means that its results have traditionally been lumpy and, while it traded profitably in FY19, it will make a much larger contribution next financial year as a result of completing those pre-sales.

Although the South Australian business continued to trade at a loss, we have continued to operate against plans for improved performance. Revision to cost structures, operational methods and product will improve both sales and efficiency. Alongside these changes we have continued to rationalise the level of funds invested in the South Australian business.

Benefits will continue to flow from the reorganisation of the Company's management and project control structure undertaken during the year, which were implemented right across the business. These changes included the appointment of a Chief Operating Officer in August 2018.

Balance Sheet and Land Holdings

Controlled land inventory rose nominally to 9,531 lots (30 June 2018: 9,373 lots).

Reflecting slower market conditions, at 30 June 2019 1,600 lots were under development, 18% below the FY18 number. The gearing ratio (net debt/total assets) at 26.6% was higher than 20.4% in FY18 but remains comfortably within the Company's target range of 15-35%. The Company extended the term of its main banking facility by a further 12 months to 30 September 2021 on substantially the same terms.

While net cash used in operating activities was $45.8 million (30 June 2018: net cash from operating activities $47.6 million) it is important to bear in mind that approximately $62.8 million was invested in the acquisition and first stage of development of Ara Hills. This will be the Company's new flagship project in Auckland that is expected to start contributing to earnings in 2021. Cash generation from the balance of operations was therefore positive at approximately $17 million, notwithstanding the softer market conditions experienced during the year.

Subsequent Events

On 2 August 2019 the Company announced it had entered into binding Heads of Agreement documentation with the landowner, to develop a large greenfield site located in Caboolture West, Brisbane. Whilst the total project is expected to yield over 8,000 lots, the Heads of Agreement relates to the initial part of the project which will see the delivery of approximately 3,500 lots into this fast-growing south-east Queensland corridor. This has been secured on a low capital intensive basis.

Directors' Report.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Outlook

In its FY18 results announcement, as well as at the 2018 Annual General Meeting, the Company informed shareholders of its belief that market conditions would soften in FY19. Although fundamentals for residential property remained sound, a combination of low consumer confidence and difficult mortgage financing conditions for our customers led to this belief.

For the reasons stated earlier, the Board and management of AVJennings believe that the bottom of the current property cycle has been reached. A combination of the expected improving market conditions, together with Company specific matters also referred to above, now lead to an expectation the Company will deliver a stronger result in FY20.

General market sentiment is clearly beginning to improve, driven in part by continuing supportive market fundamentals, conclusion of the Federal election, relaxation of the minimum mandatory servicing requirement prescribed by APRA for retail banks when they assess home loan applications, and more positive press commentary about residential property markets generally. A modest uptick in visitor numbers to sales offices and on-line has been seen in recent months, and it is reasonably expected that trend will be sustained during FY20.

The Company will also have more projects actively selling in more diverse locations during the current year. Significant contribution is also expected to be earned in the first half of FY20 from the recognition of pre-sold land, together with 15 townhouses, within the Buckley B Precinct of the Hobsonville Point project in Auckland NZ.

Finally, important demand drivers remain supportive, including continuing positive net migration into major capital cities; ongoing under-building of affordable, detached and low-rise dwellings sufficient to meet the demand; stable employment; low interest rates, and a nascent but perceptible increase in retail bank mortgage lending appetite.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The prospects and business strategies of the Group are discussed in the operating and financial review of this Report.

ENVIRONMENTAL REGULATION

The Group's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. The Group's practice is to ensure that where operations are subject to environmental regulations, those obligations are identified and appropriately addressed. This includes the obtaining of approvals, consents and requisite licences from the relevant authorities and complying with their requirements.

To the best of the Directors' knowledge, property development activities have and are being undertaken in compliance with these requirements.

INFORMATION ON THE DIRECTORS

Simon Cheong *B.Civ.Eng. MBA*

Director since 20 September 2001. Mr Cheong has over 35 years experience in real estate, banking and international finance. He currently serves as Founder and Chairman of SC Global Developments Pte Ltd. He has formerly held positions with Citibank (Singapore) as their Head of Real Estate Finance for Singapore as well as with Credit Suisse First Boston as a Director and Regional Real Estate Head for Asia (excluding Japan). In 1996, Mr Cheong established his own firm, SC Global Pte Ltd, a real estate and hotel advisory and direct investment group specialising in structuring large and complex transactions worldwide. He was twice elected President of the prestigious Real Estate Developers' Association of Singapore (REDAS) for 2 terms from 2007 till 2010. He served on the Board of the Institute of Real Estate Studies, National University of Singapore from 2008 to 2011 and was a board member of the Republic Polytechnic Board of Governors from 2008 to 2011. He was also a Council Member of the Singapore Business Federation, a position he held from 2007 to 2010. On 1 June 2017, Mr Cheong was appointed a non-executive Director of Singapore Airlines Limited.
Resident of Singapore.

Responsibilities:

Chairman of the Board, Non-Executive Director, Chairman of Investments Committee, Member of Remuneration Committee, Member of Nominations Committee.

Directorships held in other listed entities:

Singapore Airlines Limited from 1 June 2017.

INFORMATION ON THE DIRECTORS

Jerome Rowley *SF Fin, FAICD*

Director since 22 March 2007. Mr Rowley has been a career banker since the early 1970s with Citigroup, Morgan Grenfell and ABN Amro. From 1992 until 2002, he served as Managing Director and CEO of ABN Amro Australia and Head of Relationship Management and Structured Finance for ABN Amro, Asia Pacific. He has been active in both wholesale and investment banking domestically and internationally. During his career, Mr Rowley devoted considerable effort towards the recognition, understanding and management of risk as a means of profit optimization. Of particular significance was his involvement in advising and funding including debt, equity and hybrids, of infrastructure projects in both Australia and Asia Pacific.
Resident of Sydney.

Responsibilities:

Deputy Chairman of the Board, Non-Executive Director, Chairman of Risk Management Committee, Member of Audit Committee, Member of Investments Committee, Member of Nominations Committee.

Directorships held in other listed entities:

None.

Peter K Summers *B.Ec. CA*

Director since 27 August 1998. Mr Summers is a Chartered Accountant and has been employed with the Company and its related corporations since 1984, when he joined the Jack Chia Australia Ltd Group from Price Waterhouse (now PricewaterhouseCoopers). During Mr Summers' early period with the group, he held various management and directorship roles within the group. Following the acquisition of the AVJennings residential business in September 1995, Mr Summers was appointed Chief Financial Officer, becoming Finance Director of AVJennings in August 1998. He was appointed Managing Director and Chief Executive Officer of the Company on 19 February 2009. Mr Summers has extensive experience in general and financial management as well as mergers and acquisitions.
Resident of Melbourne.

Responsibilities:

Managing Director and Chief Executive Officer.

Directorships held in other listed entities:

None.

Elizabeth Sam *B.A. Hons. (Economics)*

Director since 20 September 2001. Mrs Sam has over 40 years experience in international banking and finance. She has served on numerous high level Singaporean government financial and banking review committees and was the Chairman of the International Monetary Exchange from 1987-1990 and 1993-1996. Mrs Sam is a Director of SC Global Developments Pte Ltd, the Company's major shareholder. Resident of Singapore.

Responsibilities:

Non-Executive Director, Chairman of Nominations Committee, Chairman of Remuneration Committee.

Directorships held in other listed entities:
None.

Bobby Chin *CA (ICAEW) B.Acc.*

Director since 18 October 2005. Mr Chin is currently the Chairman of NTUC Fairprice Co-operative Ltd, NTUC Fairprice Foundation Ltd and the Housing & Development Board. He is the Deputy Chairman of NTUC Enterprise Co-operative Ltd and a Director of Singapore Labour Foundation. He serves as a member of the Singapore Council of Presidential Advisers and the Corporate Governance Advisory Committee. Mr Chin served 31 years with KPMG Singapore and was its Managing Partner from 1992 until September 2005. He is an Associate Member of the Institute of Chartered Accountants in England and Wales.
Resident of Singapore.

Responsibilities:

Non-Executive Director, Chairman of Audit Committee, Member of Nominations Committee.

Directorships held in other listed entities:

Yeo Hiap Seng Limited, since 15 May 2006.
Ho Bee Investment Limited, since 29 November 2006.
Singapore Telecommunications Limited, since 1 May 2012.

Other Directorships:

Temasek Holdings (Private) Limited, since 10 June 2014.

Bruce G Hayman

Director since 18 October 2005. Mr Hayman has many years of commercial management experience with over 20 of those at operational Chief Executive or General Manager level. He is currently Chairman of Chartwell Management Services where he brings his very wide business experience to clients by way of the leadership, marketing, business performance and coaching programs he offers. He has fulfilled senior management roles both in Australia and overseas for companies such as Nicholas Pharmaceutical Group, Dairy Farm Group, Hong Kong Land and Seagram Corporation. During his time in Singapore, he held the position of Foundation President of the Singapore Australia Business Council, now known as AUSTCHAM Singapore. He has also served as CEO of the Australian Rugby Union and as Chairman of the Board of the Rugby Club Ltd. He is Chairman of the Ella Foundation and a Director of Diabetes NSW.
Resident of Sydney.

Responsibilities:

Non-Executive Director, Member of Remuneration Committee, Member of Nominations Committee, Member of Investments Committee, Member of Risk Management Committee.

Directorships held in other listed entities:

None.

Directors' Report.

INFORMATION ON THE DIRECTORS (CONTINUED)

Teck Poh Lai *B.A. Hons. (Economics)*

Director since 18 November 2011. Mr Lai has been a career banker since the late 1960s. He joined Citibank Singapore in April 1968, rising through the ranks to become Vice President and Head of the Corporate Banking Division. During his time with Citibank, Mr Lai undertook international assignments with Citibank in Jakarta, New York and London. His last position with Citigroup was as Managing Director of Citicorp Investment Banking Singapore Ltd (Corporate Finance and Capital Market Activities) from 1986 to 1987.

Mr Lai joined Oversea-Chinese Banking Corporation (OCBC) in January 1988 as Executive Vice President and Division Head of Corporate Banking. He moved on to various other senior management positions in OCBC, such as Head of Information Technology and Central Operations and Risk Management. He was head of Group Audit prior to retiring in April 2010. Resident of Singapore.

Responsibilities:

Non-Executive Director, Member of Audit Committee, Member of Remuneration Committee, Member of Investments Committee.

Directorships held in other listed entities:

PT Bank OCBC NISP Tbk (Commissioner), since 4 September 2008.

Oversea Chinese Banking Corporation, since 1 June 2010.

Boon Leong Tan *DipUrbVal (Auckland University, NZ)*

Director since 9 June 2017. Mr Tan has over 36 years experience in real estate investment and asset management. He is a non-executive Director of SC Global Developments Pte Ltd., the Company's major shareholder.

Mr Tan last held the position of Group Chief Operating Officer cum Chief Executive Officer (Singapore Investments) in Mapletree Investments Pte Ltd, a real estate company wholly-owned by Temasek Holdings (Private) Limited. Prior to his career in Mapletree Investments, Mr Tan served in Temasek Holdings (Private) Limited from 1995 to 2003 and held the position of Managing Director (Strategic Investments). His portfolio included Temasek Holdings' investments in real estate in Asia and Australia. His eight-year career in Temasek Holdings included stints in venture capital investments in the IT sector, infrastructure investments in the energy and transportation sectors, and investments in financial services.

Mr Tan had also served at the Inland Revenue Authority of Singapore (IRAS) from 1975 to 1995 where he last held the position of Tax Director in the Superscale grade. Resident of Singapore.

Responsibilities:

Non-Executive Director, Member of Investments Committee.

Directorships held in other listed entities:

None.

Philip Kearns, AM *BA (Economics); Grad Dip (Applied Finance)*

Director since 21 March 2019. Mr Kearns is the Managing Director and CEO of InterRISK Australia Pty Ltd, a division of ASX listed AUB Group. He has over fifteen years' experience leading financial services organisations where he led significant cultural change and was instrumental in building a client base and introducing investors to innovative opportunities, including in the property sector.

Mr Kearns was appointed a member of the Order of Australia in 2017 for significant service to the community through support for charitable organisations, to business, and to rugby union at the elite level. He played 67 tests for the Australia national rugby union team, Wallabies (1989-1999) and captained the team ten times. Resident of Sydney.

Responsibilities:

Non-Executive Director, Member of Investments Committee, Member of Risk Management Committee.

Directorships held in other listed entities:

None.

INFORMATION ON THE COMPANY SECRETARY

Carl D Thompson *LLB B. Comm*

Company Secretary since 12 January 2009. Mr Thompson previously held the company secretary and general counsel role at Downer EDI Ltd. Prior to that he was a partner at national law firm Corrs Chambers Westgarth, practising in corporate and commercial work. Resident of Melbourne.

REMUNERATION REPORT (AUDITED)

This Remuneration Report is provided in accordance with the requirements of the *Corporations Act 2001* (the Act) and has been audited as required by section 308(3C) of the Act.

1. Key Management Personnel (KMP) defined

The name and position of each KMP whose remuneration is disclosed in this Report are set out below:

(i) Directors

S Cheong	Non-Executive Chairman
RJ Rowley	Non-Executive Deputy Chairman
PK Summers	Managing Director and Chief Executive Officer
E Sam	Non-Executive Director
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
BL Tan	Non-Executive Director
P Kearns	Non-Executive Director (appointed 21 March 2019)

(ii) Executives

CD Thompson	Company Secretary/General Counsel
L Mahaffy	Chief Financial Officer
SC Orlandi[1]	Chief Operating Officer
L Hunt	General Manager, Human Resources

(1) Appointed Chief Operating Officer on 14 August 2018. Prior to this, Mr Orlandi was Chief Strategy Officer.

2. Remuneration Framework

2.1 Remuneration Governance

The Board has established a Remuneration Committee comprising four Non-Executive Directors which is responsible for determining and reviewing remuneration arrangements for KMP and other senior management personnel.

The Committee's primary objective is to provide a remuneration structure that attracts, retains and motivates staff, which is aligned with shareholder interests and addresses current market and stakeholder views.

2.2 External Advisers

No remuneration consultant made any remuneration recommendation as defined in Section 9B of the *Corporations Act 2001* during the year ended 30 June 2019.

2.3 Non-Executive Director (NED) Remuneration Arrangements

At the Annual General Meeting (AGM) in the year 2000, shareholders approved a maximum annual aggregate fee pool of $400,000 for NEDs. The allocation to individual NEDs is determined after considering factors such as time commitment, the size and scale of the Company's operations, skill sets, participation in committee work, in particular chairmanship of committees and fees paid to directors of comparable companies. NEDs do not receive any retirement benefits or performance-based remuneration.

Three NEDs, Mr S Cheong, Mrs E Sam and Mr BL Tan do not receive fees. However, AVJennings pays a consulting fee to the Ultimate Parent Entity, SC Global Developments Pte Ltd. This consulting fee is not included in the NEDs fee pool. The fees are paid pursuant to a consultancy and advisory agreement for the provision of the following:

- Services of at least two directors on the Board;
- Assistance in sourcing and facilitating financial and banking requirements particularly from Asian-based and other institutions;
- Assistance in secretarial and administrative matters in connection with the Company's Singapore listing;
- Sourcing and facilitating business, commercial and investment opportunities; and
- Ancillary advice.

The appropriateness of the agreement and the reasonableness of the fees is assessed annually by the Australian-based independent NEDs taking into account the actual services provided, comparable market data for similar services, the benefits to the Company and the likely cost of replacement of the services provided. This review has been undertaken annually over the past few years and the Australian-based NEDs have, on each occasion, concluded that the fee is appropriate in all the circumstances. The annual fees payable are $600,000 and have been fixed at this level for over ten years. The agreement may be terminated by either party giving six months' notice or by the Company on 30 days' notice for cause.

The remuneration of NEDs is detailed on page 26.

2.4 Executive Remuneration Arrangements

Executive remuneration includes a mix of fixed and variable remuneration. Variable remuneration includes short term incentives, long term incentives and retention components.

i) Fixed Remuneration

Fixed Remuneration is represented by Total Employment Cost (TEC) which comprises base remuneration and superannuation contributions.

TEC is reviewed annually or on promotion/appointment to the role. TEC is benchmarked against market data for comparable roles in the market. The Company sets TEC based on relevant market analysis, the scope and nature of the role and the individual's performance, skills and responsibilities.

The fixed component of remuneration of other KMP's is detailed on page 27.

Directors' Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

2.4 Executive Remuneration Arrangements (continued)

ii) Variable Remuneration

A) Short Term Incentive (STI)

Executives participate in a STI plan which assesses achievement against Key Performance Measures (KPM). Each executive has KPMs that are aligned to company, business unit and individual performance. An STI payment is awarded to the extent performance is achieved against the KPMs set at the beginning of the financial year, as appropriate, and with regards to relevant business unit and company performance.

STI awards for the executive team in the 2019 financial year were based on the scorecard measures and weightings disclosed below. These targets were set by the Remuneration Committee and align with the Group's strategic and business objectives. They are reviewed annually.

The CEO has a target STI opportunity of 35% of TEC and other Executives have a STI opportunity of 17% to 30% of TEC.

The variable "at risk" component of executive remuneration ensures that a proportion of remuneration varies with performance (both of the individual and, as appropriate, the business unit and the Company as a whole).

Allocation of Overall Performance Incentive between Components (shown as % of TEC)

Position	Total At Risk (%)	STI (%)	LTI (%)	Retention (%)
CEO	100	35	40	25
Senior Executives	33	17	8	8
State General Managers	50	30	10	10

The proportions of STI, LTI and retention components take into account:

- Market practice;
- The objectives that the Board seeks to achieve and the behaviours which support that outcome;
- The desirability of Senior Executives having a significant equity interest in the Company so as to better align their interest with shareholders;
- The desire for Senior Executives to receive equity as a proportion of remuneration; and
- The service period before Executives can receive equity rewards.

The table below provides an overview of the STI against key financial and non-financial performance measures.

		CEO	Senior Executives	State General Managers
Financial and Business Performance				
Underlying Profit Performance	• Group profit before tax. • Return on NFE (Net Funds Employed).	70%	30% to 40%	50%
Business Performance	• Cost to income ratio. • Appropriate and efficient capital management. • Alignment of priorities and allocation of resources. • Market conditions, in particular performance in the prevailing market. • Implementation of Company strategy and improvement in the underlying health of the Company. • Increase in the Group's market share of the residential property sector. • Risk management.			
Non-Financial				
Customer and Stakeholder Performance	• Customer Advocacy.	30%	60% to 70%	50%
People	• Employee retention and engagement. • Leadership.			
Safety and Environment	• Providing a safe work environment. • Minimise the impact of our activities on the environment.			

REMUNERATION REPORT (AUDITED) (CONTINUED)

2.4 Executive Remuneration Arrangements (continued)

The Remuneration Committee determines the STI to be paid based on an assessment of the extent to which the KPMs are met. The STI payment is made within two months of the financial year end. The Committee has the discretion to adjust STIs upwards or downwards in light of unexpected circumstances or unintended consequences.

Based on achievements of the Group in the 2019 financial year and performance against individual KPMs, the Remuneration Committee determined that Executives achieved between 75% and 100% of their target opportunity (average 87%). In making this assessment, the Committee considered the following factors:

- Performance in implementing Company strategy.
- Performance in the prevailing market.
- The financial result.
- Performance against individual KPMs.

B) Long Term Incentive (LTI)

LTI awards are only made to Executives who have the ability to impact the Group's performance and create shareholder value over the longer term.

LTI remuneration is provided by the Issue of Rights which include a performance and a retention component. The use of Rights as an incentive reduces upfront cash requirements (as shares do not need to be acquired for allocations). Shares are acquired on market by the Plan Trustee to satisfy the grant of shares in respect of rights which have vested. Participants do not receive dividends on Rights (as distinct from shares).

LTI and Retention

Retention Rights are granted in three equal tranches which vest in each of the three succeeding years following the year of grant.

Retention component – years of service	Percentage of rights vesting
one year	33.33%
two years	33.33%
three years	33.34%

LTI and Performance

Up to 50% of Performance Rights granted vest depending on AVJennings' average growth rate in Earnings Per Share (EPS) over the three financial years of performance measurement.

Up to 50% of Performance Rights granted vest depending on AVJennings' Return on Equity (ROE) over the three financial years of performance measurement. The Return on Equity (ROE) component of the Performance Rights uses market capitalisation as a proxy for equity.

The performance conditions are tested at the end of the three-year measurement period. The service rights are split into three tranches that progressively vest each year subject to satisfaction of the service condition. The CEO's participation was determined as 40% (Performance Rights) and 25% (Service Rights) of TEC respectively.

The operation of the EPS, ROE and Retention hurdles are set out below.

AVJennings' EPS growth rate over the three year performance period	Percentage of rights vesting
< 5%	Nil
5%	50% of the allocation for the hurdle
5% – 10%	Pro-rata between 50% and 100%
>=10%	100% of the allocation for the hurdle

AVJennings' ROE over the three year performance period	Percentage of rights vesting
<12%	Nil
12%	50% of the allocation for the hurdle
15%	75% of the allocation for the hurdle
>=18%	100% (Straight line interpolation between 12% and 18%)

Rights have been granted to KMP as detailed in the table on page 24.

- The September 2016 Grant was made for the FY17 year (with final performance conditions testing in September 2019).
- The September 2017 Grant was made for the FY18 year (with final performance conditions testing in September 2020).
- The September 2018 Grant was made for the FY19 year (with final performance conditions testing in September 2021).

The fair value of the Rights at the date of the Grant is determined by the Plan manager using an appropriate valuation model. The fair value is expensed over the period in which the performance and/or service conditions are fulfilled with a corresponding increase in share-based payment reserve in equity. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the *Consolidated Statement of Comprehensive Income* represents the movement in cumulative expense recognised between the beginning and end of that period.

Directors' Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

2.4 Executive Remuneration Arrangements (continued)

The following is the status of Rights granted to KMP under the FY15 and subsequent year LTI Plans:

KMP	Year of Grant	Fair Value at Grant date	Rights at beginning of the year	Rights granted	Rights vested	Rights forfeited	Rights at end of the year
PK Summers	FY15	$386,528	417,106	-	(208,553)	(208,553)	-
PK Summers	FY16	$341,129	406,875	-	(203,438)	(203,437)	-
PK Summers	FY17	$372,970	634,046	-	(87,309)	-	546,737
PK Summers	FY18	$384,170	636,504	-	(77,504)	-	559,000
PK Summers	FY19	$395,702	-	701,392	-	-	701,392
CD Thompson	FY15	$51,035	44,740	-	(22,370)	(22,370)	-
CD Thompson	FY16	$59,904	58,190	-	(29,095)	(29,095)	-
CD Thompson	FY17	$65,649	105,663	-	(19,978)	-	85,685
CD Thompson	FY18	$67,621	110,981	-	(17,735)	-	93,246
CD Thompson	FY19	$69,652	-	122,234	-	-	122,234
L Mahaffy	FY15	$46,660	40,905	-	(20,453)	(20,452)	-
L Mahaffy	FY16	$54,769	53,202	-	(26,601)	(26,601)	-
L Mahaffy	FY17	$60,022	96,606	-	(18,266)	-	78,340
L Mahaffy	FY18	$61,825	101,469	-	(16,215)	-	85,254
L Mahaffy	FY19	$63,682	-	111,757	-	-	111,757
SC Orlandi	FY15	$41,301	36,207	-	(18,104)	(18,103)	-
SC Orlandi	FY16	$48,479	47,092	-	(23,546)	(23,546)	-
SC Orlandi	FY17	$53,129	85,512	-	(16,168)	-	69,344
SC Orlandi	FY18	$54,725	89,816	-	(14,353)	-	75,463
SC Orlandi	FY19	$57,463	-	100,843	-	-	100,843
L Hunt	FY15	$31,538	27,648	-	(13,824)	(13,824)	-
L Hunt	FY16	$37,021	35,961	-	(17,981)	(17,980)	-
L Hunt	FY17	$40,571	65,299	-	(12,347)	-	52,952
L Hunt	FY18	$41,789	68,586	-	(10,960)	-	57,626
L Hunt	FY19	$43,044	-	75,540	-	-	75,540
Total		**$2,930,378**	**3,162,408**	**1,111,766**	**(874,800)**	**(583,961)**	**2,815,413**

AVJennings prohibits executives from entering into arrangements to protect the value of unvested LTI awards. This prohibition includes entering into hedging arrangements in relation to AVJennings securities.

3. Group Performance

The table below shows the Group's earnings performance as well as the movement in the Group's Earnings per Share (EPS), Total Shareholder Return (TSR) and Market Capitalisation over the last 5 years.

Financial Report Date	Profit After Tax $'000	Basic EPS Cents	TSR* Cents	Market Capitalisation $'000	Return on Market Capitalisation %
30 June 2015	34,385	9.03	10.5	245,694	14.00
30 June 2016	40,912	10.71	(4.0)	213,968	19.12
30 June 2017	35,717	9.31	15.0	253,164	14.11
30 June 2018	31,347	8.13	10.0	278,074	11.27
30 June 2019	16,439	4.09	(12.5)	218,953	7.51

* TSR is the aggregate of the movement in the share price and dividends paid per share during the year ended 30 June.

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. Employment Contracts

i) Chief Executive Officer

Mr Summers' employment contract does not have a termination date and does not stipulate a termination payment. However, it specifies a six-month notice period. Details regarding the remuneration paid to Mr Summers are contained in the table on page 27.

ii) Other Executives

The other Executives are full time permanent employees with employment contracts. The employment contracts do not have termination dates or termination payments. However, they specify a notice period of three months.

5. Remuneration of KMP

Details of the nature and amount of each element of remuneration of Directors and Executives are set out in the tables on pages 26 and 27. The Directors are the same as those identified in the *Directors' Report*.

6. Remuneration Options: Granted and Vested During the Year

No options were either granted or exercised during the year. There are currently no unexercised or outstanding options. None of the Directors or Executives hold any options.

7. Shareholdings of KMP

The number of shares in the Company held during the financial year by each KMP of the Group, including their related parties, are set out below.

	Opening Balance	Vested as Remuneration	On market Purchase/ (disposal)	Other [1]	Closing Balance
For the year ended 30 June 2019					
Directors					
S Cheong	209,386,826	-	-	9,494,561	**218,881,387**
E Sam	215,068	-	-	9,752	**224,820**
PK Summers	4,200,316	576,804	-	53,142	**4,830,262**
RJ Rowley	258,502	-	-	11,721	**270,223**
Executives					
CD Thompson	1,438,459	89,178	-	22,672	**1,550,309**
L Mahaffy	129,496	81,535	-	-	**211,031**
SC Orlandi	413,623	72,171	-	6,499	**492,293**
L Hunt	272,616	55,112	-	2,143	**329,871**
Total	**216,314,906**	**874,800**	**-**	**9,600,490**	**226,790,196**
For the year ended 30 June 2018					
Directors					
S Cheong	203,818,030	-	-	5,568,796	**209,386,826**
E Sam	209,349	-	-	5,719	**215,068**
PK Summers	3,920,188	248,960	-	31,168	**4,200,316**
RJ Rowley	252,000	-	-	6,502	**258,502**
Executives					
CD Thompson	1,372,557	52,241	-	13,661	**1,438,459**
L Mahaffy	182,447	47,762	(100,713)	-	**129,496**
SC Orlandi	367,431	42,276	-	3,916	**413,623**
L Hunt	239,075	32,285	-	1,256	**272,616**
Total	**210,361,077**	**423,524**	**(100,713)**	**5,631,018**	**216,314,906**

(1) Includes shares acquired under the Dividend Reinvestment Plan. Refer to note 16.

Directors' Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

8. Remuneration Tables

i) Non-Executive Directors

	Year	Short-Term Fees $	Post Employment Superannuation[2] $	Total $
S Cheong	**2019**	-	-	-
	2018	-	-	-
RJ Rowley	**2019**	**115,069**	**10,931**	**126,000**
	2018	77,626	7,374	85,000
E Sam[1]	**2019**	-	-	-
	2018	-	-	-
B Chin	**2019**	**72,000**	**-**	**72,000**
	2018	60,000	-	60,000
BG Hayman	**2019**	**84,018**	**7,982**	**92,000**
	2018	45,662	4,338	50,000
TP Lai	**2019**	**64,500**	**-**	**64,500**
	2018	50,000	-	50,000
BL Tan [1]	**2019**	**-**	**-**	**-**
	2018	-	-	-
P Kearns[3]	**2019**	**20,294**	**1,928**	**22,222**
	2018	-	-	-
Total	**2019**	**355,881**	**20,841**	**376,722**
Total	2018	233,288	11,712	245,000

1. These Directors were not paid fees. A consulting fee of $50,000 per month was paid to the ultimate parent entity SC Global Developments Pte Ltd which covers the services of these Directors.
2. Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions.
3. Appointed 21 March 2019.

Directors are also reimbursed for airfares (other than the international airfares for those Directors referred to in (1) above), and other expenses relating to the provision of their services.

REMUNERATION REPORT (AUDITED) (CONTINUED)

8. Remuneration Tables (continued)

ii) Other KMP

		Short-Term				Post Employment	Other Long-Term	Share-Based	Total	Performance Related
	Year	Salary $	Accrued Annual Leave $	STI $	Other [(2)] $	Superannuation [(1)] $	Accrued Long Service Leave $	LTI [(3)] (includes Retention) $	$	%
PK Summers	**2019**	**540,495**	**32,158**	**170,457**	**44,747**	**20,531**	**30,541**	**198,102**	**1,037,031**	**20.71**
	2018	476,165	12,781	186,178	91,828	20,049	28,539	433,004	1,248,544	36.84
CD Thompson	**2019**	**397,377**	**3,170**	**62,686**	**-**	**20,531**	**17,163**	**44,945**	**545,872**	**13.27**
	2018	385,688	4,133	67,623	-	20,049	18,763	72,261	568,517	18.35
L Mahaffy	**2019**	**361,556**	**(9,003)**	**47,761**	**-**	**20,531**	**17,209**	**41,093**	**479,147**	**11.83**
	2018	350,910	27,164	24,731	-	20,049	11,454	66,067	500,375	11.64
SC Orlandi	**2019**	**324,243**	**30,753**	**57,462**	**-**	**20,531**	**15,556**	**36,859**	**485,404**	**13.50**
	2018	308,308	4,200	54,726	-	20,049	11,820	58,479	457,582	18.45
L Hunt	**2019**	**236,536**	**11,757**	**38,740**	**-**	**20,531**	**10,377**	**27,776**	**345,717**	**12.95**
	2018	229,496	(1,313)	37,612	-	20,049	13,120	44,656	343,620	17.54
Total	**2019**	**1,860,207**	**68,835**	**377,106**	**44,747**	**102,655**	**90,846**	**348,775**	**2,893,171**	
Total	2018	1,750,567	46,965	370,870	91,828	100,245	83,696	674,467	3,118,638	

(1) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions.

(2) 'Other' relates to the value of motor vehicle benefits.

(3) The LTI figures represent the cost to the Company of the rights granted which are subject to service and performance conditions and accordingly, not all of the rights may vest. The amount the executive receives is different and is based on the shares that vest.

Directors' Report.

MEETINGS OF DIRECTORS AND DIRECTORS' COMMITTEES

The number of meetings of Directors and Directors' committees held during the year, for the period the Director was a Member of the Board or a Committee, and the number of meetings attended by each Director are detailed below.

	Full Meetings of Directors		Meetings of Committees							
			Audit		Remuneration		Nominations		Risk Management	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
S Cheong	4	4	-	-	1	1	1	1	-	-
RJ Rowley	4	4	3	3	-	-	1	1	3	3
PK Summers	4	4	-	-	-	-	-	-	-	-
E Sam	4	4	-	-	1	1	1	1	-	-
B Chin	4	4	3	3	-	-	1	1	-	-
BG Hayman	4	4	-	-	1	1	1	1	3	3
TP Lai	4	4	3	3	1	1	-	-	-	-
BL Tan	4	4	-	-	-	-	-	-	-	-
P Kearns[1]	1	1	-	-	-	-	-	-	1	1

(1) Appointed 21 March 2019.

Investments Committee

The Investments Committee does not formally meet in person. It conducts physical inspections of certain major development sites and receives detailed briefings from management on all major development sites prior to consideration of formal acquisition proposals which are dealt with by way of circular resolution.

DIRECTORS' INTERESTS

The relevant interests of the Directors in the shares of the Company at the date of this Report are:

Director	Number
S Cheong	218,881,387
E Sam	224,820
PK Summers	4,830,262
RJ Rowley	270,223

INDEMNIFYING OFFICERS

During the year, the Group paid a premium in respect of a contract insuring its Directors and employees against liabilities that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Group. In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

ROUNDING

ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 is applicable to the Group and in accordance with that Instrument, amounts in the Financial Report and the *Directors' Report* are rounded to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 29.

Non Audit Services

The Group's auditor, Ernst & Young provided certain non-audit services as outlined in note 31. The Board has considered these and based on advice received from the Audit Committee, is satisfied that provision of these services is compatible with, and did not compromise, the auditor independence requirements imposed by the *Corporations Act 2001*, for the following reason:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board as they do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks or rewards.

Signed in accordance with a resolution of the Directors.

Simon Cheong
Director
5 September 2019

Peter Summers
Director

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of AVJennings Limited

As lead auditor for the audit of the financial report of AVJennings Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AVJennings Limited and the entities it controlled during the financial year.

Ernst & Young

Glenn Maris
Partner
Sydney
5 September 2019

Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 $'000	2018 $'000
Continuing operations			
Revenue from contracts with customers	2 & 37	296,467	-
Sales of land and built form	3	-	371,190
Management fees	3	-	977
Revenue		**296,467**	**372,167**
Cost of sales		(223,900)	(282,710)
Gross profit		**72,567**	**89,457**
Share of net (loss)/profit of joint ventures		(274)	226
Provision for loss on equity accounted investments	3	(607)	-
Change in inventory loss provisions	3	-	1,111
Fair value adjustment to financial asset	10	(669)	-
Fair value adjustment to investment property	8	800	-
Selling and marketing expenses		(6,865)	(7,285)
Employee expenses		(25,711)	(24,392)
Other operational expenses		(8,591)	(7,534)
Management and administration expenses		(8,071)	(8,192)
Depreciation expense	3	(252)	(269)
Finance income	3	1,315	1,410
Finance costs	3	(159)	(190)
Other income	3	356	740
Profit before income tax		**23,839**	**45,082**
Income tax	4	(7,400)	(13,735)
Profit after income tax		**16,439**	**31,347**
Other comprehensive income (OCI)			
Foreign currency translation		**1,246**	**(714)**
Other comprehensive income/(loss)		**1,246**	**(714)**
Total comprehensive income		**17,685**	**30,633**
Profit attributable to owners of the Company		**16,439**	**31,347**
Total comprehensive income attributable to owners of the Company		**17,685**	**30,633**
Earnings per share (cents per share):			
Basic earnings per share	32	4.09	8.13
Diluted earnings per share	32	4.08	8.13

To be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	5	18,209	8,491
Receivables	6	15,088	95,096
Inventories	7	194,748	193,340
Other assets	9	2,392	7,150
Total current assets		**230,437**	**304,077**
Non-current assets			
Receivables	6	10,033	24,329
Inventories	7	430,261	295,037
Investment property	8	1,770	-
Equity accounted investments	24	6,649	10,721
Financial asset	10	2,211	2,880
Plant and equipment	11	1,059	536
Intangible assets	12	2,816	2,816
Total non-current assets		**454,799**	**336,319**
Total assets		**685,236**	**640,396**
Current liabilities			
Payables	13	41,234	34,508
Borrowings	14	543	13,407
Tax payable	4(c)	3,179	10,597
Provisions	15	6,547	9,869
Total current liabilities		**51,503**	**68,381**
Non-current liabilities			
Payables	13	22,009	23,397
Borrowings	14	199,792	125,799
Deferred tax liabilities	4(d)	15,173	23,079
Provisions	15	482	742
Total non-current liabilities		**237,456**	**173,017**
Total liabilities		**288,959**	**241,398**
Net assets		**396,277**	**398,998**
Equity			
Contributed equity	16	174,509	167,943
Reserves	17(a)	8,882	6,906
Retained earnings	17(c)	212,886	224,149
Total equity		**396,277**	**398,998**

To be read in conjunction with the accompanying notes.

Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of AVJennings Limited				Total equity
	Note	Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Retained Earnings $'000	$'000
At 1 July 2017		**160,436**	**3,724**	**2,898**	**213,945**	**381,003**
Comprehensive income:						
Profit for the year		-	-	-	31,347	31,347
Other comprehensive loss for the year		-	(714)	-	-	(714)
Total comprehensive income for the year		**-**	**(714)**	**-**	**31,347**	**30,633**
Transactions with owners in their capacity as owners:						
- Ordinary share capital raised		7,688	-	-	-	7,688
- Treasury shares acquired	16(b)	(181)	-	-	-	(181)
- Share-based payment expense	30(a)	-	-	998	-	998
- Dividends paid	18	-	-	-	(21,143)	(21,143)
Total transactions with owners in their capacity as owners		**7,507**	**-**	**998**	**(21,143)**	**(12,638)**
At 30 June 2018		**167,943**	**3,010**	**3,896**	**224,149**	**398,998**
At 1 July 2018		**167,943**	**3,010**	**3,896**	**224,149**	**398,998**
Effect of adoption of new accounting standard	37	-	-	-	(11,792)	(11,792)
At 1 July 2018 (restated)		**167,943**	**3,010**	**3,896**	**212,357**	**387,206**
Comprehensive income:						
Profit for the year		-	-	-	16,439	16,439
Other comprehensive income for the year		-	1,246	-	-	1,246
Total comprehensive income for the year		**-**	**1,246**	**-**	**16,439**	**17,685**
Transactions with owners in their capacity as owners:						
- Ordinary share capital raised	16(a)	7,480	-	-	-	7,480
- Treasury shares acquired	16(b)	(914)	-	-	-	(914)
- Share-based payment expense reversed (lapsed rights)	30(a)	-	-	(402)	-	(402)
- Share-based payment expense	30(a)	-	-	1,132	-	1,132
- Dividends paid	18	-	-	-	(15,910)	(15,910)
Total transactions with owners in their capacity as owners		**6,566**	**-**	**730**	**(15,910)**	**(8,614)**
At 30 June 2019		**174,509**	**4,256**	**4,626**	**212,886**	**396,277**

To be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2019 $'000	2018 $'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		355,943	450,776
Payments to other suppliers and employees (inclusive of GST)		(371,307)	(378,354)
Interest paid	3	(12,663)	(12,212)
Income tax paid	4(c)	(17,757)	(12,575)
Net cash (used in)/from operating activities	19	**(45,784)**	**47,635**
Cash flow from investing activities			
Payments for plant and equipment	11	(790)	(15)
Interest received	3	1,315	1,410
Amounts received from joint venture entities	24	1,536	-
Dividends received from joint venture entity	24	1,655	-
Investments in joint venture entities	24	-	(2,047)
Net cash from/(used in) investing activities		**3,716**	**(652)**
Cash flow from financing activities			
Proceeds from borrowings		162,128	154,182
Repayment of borrowings		(101,000)	(194,599)
Payment for treasury shares	16(b)	(914)	(181)
Dividends paid	18	(15,910)	(21,143)
Proceeds from issue of shares	16(a)	7,480	7,688
Net cash from/(used in) financing activities		**51,784**	**(54,053)**
Net increase/(decrease) in cash and cash equivalents		**9,716**	**(7,070)**
Cash and cash equivalents at beginning of year		8,491	15,562
Effects of exchange rate changes on cash and cash equivalents		2	(1)
Cash and cash equivalents at end of year	5	**18,209**	**8,491**

To be read in conjunction with the accompanying notes.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section A – How the numbers are calculated

Section A1 Segment information

1. OPERATING SEGMENTS

AVJennings operates primarily in residential development.

The Group determines segments based on information that is provided to the Managing Director who is the chief operating decision maker (CODM). The CODM assesses the performance and makes decisions about the resources to be allocated to the segment. Each segment prepares a detailed finance report on a monthly basis which summarises the following:

- Historic results of the segment; and
- Forecast of the segment for the remainder of the year.

Reportable Segments

Australian States and New Zealand where the company operates:

Includes activities relating to Land Development, Integrated Housing and Apartments Development.

Other:

Includes numerous low value items, amongst the most significant of which is interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATING SEGMENTS (continued)

The following table presents the revenues and results information regarding operating segments:

Operating Segments	NSW 2019 $'000	NSW 2018 $'000	VIC 2019 $'000	VIC 2018 $'000	QLD 2019 $'000	QLD 2018 $'000	SA 2019 $'000	SA 2018 $'000	NZ 2019 $'000	NZ 2018 $'000	Other 2019 $'000	Other 2018 $'000	Total 2019 $'000	Total 2018 $'000
Revenues														
External sales	123,542	195,478	115,822	57,024	31,950	51,360	19,112	52,777	1,217	14,551	-	-	291,643	371,190
Management fees	238	-	4,381	644	185	318	20	15	-	-	-	-	4,824	977
Total segment revenues	**123,780**	**195,478**	**120,203**	**57,668**	**32,135**	**51,678**	**19,132**	**52,792**	**1,217**	**14,551**	**-**	**-**	**296,467**	**372,167**
Results														
Segment results	24,053	53,065	21,315	945	(3,316)	532	(2,978)	(411)	2,281	4,123	173	2,170	41,528	60,424
Share of (loss)/profit of joint ventures	-	-	-	(3)	-	-	(20)	(1)	-	-	(254)	230	(274)	226
Other non-segment revenue	-	-	-	-	-	-	-	-	-	-	1,671	2,150	1,671	2,150
Change in inventory loss provisions	-	720	-	-	-	391	-	-	-	-	-	-	-	1,111
Fair value adjustments	-	-	800	-	-	-	-	-	-	-	(669)	-	131	-
Provision for loss on equity accounted investments	-	-	-	-	-	-	-	-	-	-	(607)	-	(607)	-
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	(252)	(269)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(18,199)	(18,370)
Unallocated interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(159)	(190)
Profit before income tax													23,839	45,082
Income tax													(7,400)	(13,735)
Net profit													**16,439**	**31,347**

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATING SEGMENTS (continued)

The following table presents the assets and liabilities information regarding operating segments:

Operating Segments	NSW		VIC		QLD		SA		NZ		Other		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Assets														
Segment assets	195,646	221,638	173,724	170,326	125,709	108,063	62,903	71,028	105,524	44,128	21,730	25,213	685,236	640,396
Total assets	**195,646**	**221,638**	**173,724**	**170,326**	**125,709**	**108,063**	**62,903**	**71,028**	**105,524**	**44,128**	**21,730**	**25,213**	**685,236**	**640,396**
Liabilities														
Segment liabilities	15,941	26,224	19,458	54,611	16,389	6,507	970	4,992	58,711	18,032	177,490	131,032	288,959	241,398
Total liabilities	**15,941**	**26,224**	**19,458**	**54,611**	**16,389**	**6,507**	**970**	**4,992**	**58,711**	**18,032**	**177,490**	**131,032**	**288,959**	**241,398**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section A2 Profit and loss information

2. REVENUES FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue information

The disaggregation of the Group's revenue from contracts with customers is set out below:

Operating Segments	NSW $'000	VIC $'000	QLD $'000	SA $'000	NZ $'000	Total $'000
30 June 2019						
Types of goods or service						
Sale of Land	77,693	44,269	2,104	7,608	1,217	132,891
Sale of Integrated Housing	45,849	14,845	29,846	11,504	-	102,044
Sale of Apartments	-	56,708	-	-	-	56,708
Property Development & Other Services	238	4,381	185	20	-	4,824
Total revenue from contracts with customers	**123,780**	**120,203**	**32,135**	**19,132**	**1,217**	**296,467**
Timing of revenue recognition						
Goods transferred at a point in time	123,542	115,822	31,950	19,112	1,217	291,643
Services transferred over time	238	4,381	185	20	-	4,824
Total revenue from contracts with customers	**123,780**	**120,203**	**32,135**	**19,132**	**1,217**	**296,467**

(b) Revenue recognition accounting policy

(i) Sale of land, integrated housing and apartments

Revenue from the sale of land, houses and apartments is recognised at a point in time when control is transferred to the customer. Except for certain contractual arrangements discussed below, this occurs at settlement when legal title passes and an enforceable right to payment exists.

For the following contractual arrangements, revenue is recognised prior to settlement where the customer has obtained control, and a right to payment exists:

- Revenue from sales of land on deferred terms to builders in New Zealand. The builder gains control of the land on completion of physical works and can commence building at that point.
- Sales of englobo land on deferred terms. Control passes when the contract is unconditional, physical works are complete and the customer has unfettered rights to the land before settlement.
- Revenue from sales of land to builders in Australia under put and call arrangements where the builder is the ultimate purchaser and not a conduit between AVJennings and a retail purchaser. The builder gains control of the land on completion of the physical works and can commence building at that point.

(ii) Property development and other services

AVJennings Properties Ltd provides property development and other services to joint venture arrangements entered into by other entities within the Group. The performance obligation is satisfied over time and revenue is progressively recognised based on the terms of the service agreement.

(iii) Financing components

The Group does not expect to have any contracts for the sale of land, integrated housing and apartments where the duration between the transfer of the goods to the customer and payment by the customer exceeds one year in Australia.

In the case of certain contracts for the sale of land in New Zealand and the provision of services in Australia, the duration may exceed one year. The Group discounts the balances in respect of these contracts to reflect the present value of expected cash inflows.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. INCOME AND EXPENSES

	Note	2019 $'000	2018 $'000
Revenues			
Sales of land and built form		-	371,190
Management fees		-	977
Revenue from contracts with customers	2	296,467	-
Total revenues		**296,467**	**372,167**
Cost of sales include:			
Credit from utilisation of inventory provisions		(791)	(2,369)
Amortisation of finance costs capitalised to inventories		12,181	17,220
Depreciation expense			
Leasehold improvements	11	62	28
Plant, equipment and motor vehicles	11	190	241
Total depreciation expense		**252**	**269**
Finance income			
Interest from financial assets at amortised cost		1,315	1,410
Finance costs			
Bank loans and overdrafts		12,663	12,212
Less: Amount capitalised to inventories		(12,504)	(12,022)
Finance costs expensed		**159**	**190**
Other income			
Sundry income		356	740
Impairment of assets			
Provision for loss on equity accounted investments		607	-
Net decrease in inventory loss provisions		-	1,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX

	2019 $'000	2018 $'000
(a) Income tax expense		
The major components of income tax are:		
Current income tax		
- Current income tax charge	10,266	17,955
- Adjustment for prior year	93	(7)
Deferred income tax		
- Current temporary differences	(2,959)	(4,212)
- Adjustment for prior year	-	(1)
Income tax reported in the *Consolidated Statement of Comprehensive Income*	**7,400**	**13,735**

(b) Numerical reconciliation between aggregate tax recognised in the Consolidated Statement of Comprehensive Income and tax calculated per the statutory income tax rate

Accounting profit before income tax	**23,839**	**45,082**
Tax at Australian income tax rate of 30%	**7,152**	**13,525**
Net share of equity accounted joint venture losses/(gains)	82	(69)
Other non-deductible items	57	363
Foreign jurisdiction gains/(losses)	49	(21)
Effect of lower tax rate in foreign jurisdictions	(33)	(55)
Adjustment for prior year	93	(8)
Income tax expense	**7,400**	**13,735**
Effective tax rate	**31%**	**30%**

(c) Numerical reconciliation from income tax expense to income taxes paid

	2019 $'000	2018 $'000
Income tax expense	**7,400**	**13,735**
Timing differences recognised in deferred tax	2,959	4,213
Adjustment for prior year	(93)	7
Exchange rate translation difference	(23)	(20)
Current year tax payable at year end	(3,179)	(10,597)
Prior year tax paid in current year	10,693	5,237
Cash taxes paid per *Consolidated Statement of Cash Flows*	**17,757**	**12,575**

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX (continued)

(d) Recognised deferred tax assets and liabilities

	Opening balance $'000	Expense /(benefit) $'000	Effect of [1] adoption of new accounting standard $'000	Foreign exchange variance $'000	Closing balance $'000
Deferred income tax movement for the year ended 30 June 2019:					
Deferred tax assets					
- inventories	3,072	(237)	-	-	2,835
- accruals	867	(244)	-	1	624
- provisions on employee entitlement	1,626	47	-	1	1,674
- other	137	318	-	-	455
Deferred tax assets	**5,702**	**(116)**	**-**	**2**	**5,588**
Deferred tax liabilities					
- inventories	(20,257)	1,983	-	-	(18,274)
- unearned revenue	(7,486)	1,549	5,054	(109)	(992)
- prepayments	(148)	82	-	-	(66)
- brand name	(845)	-	-	-	(845)
- other	(45)	(539)	-	-	(584)
Deferred tax liabilities	**(28,781)**	**3,075**	**5,054**	**(109)**	**(20,761)**
Net deferred tax liabilities	**(23,079)**	**2,959**	**5,054**	**(107)**	**(15,173)**
Deferred income tax movement for the year ended 30 June 2018:					
Deferred tax assets					
- inventories	4,251	(1,179)	-	-	3,072
- accruals	1,164	(297)	-	-	867
- provisions on employee entitlement	1,518	109	-	(1)	1,626
- other	214	(77)	-	-	137
Deferred tax assets	**7,147**	**(1,444)**	**-**	**(1)**	**5,702**
Deferred tax liabilities					
- inventories	(21,851)	1,594	-	-	(20,257)
- unearned revenue	(11,459)	3,842	-	131	(7,486)
- prepayments	(368)	220	-	-	(148)
- brand name	(845)	-	-	-	(845)
- other	(46)	1	-	-	(45)
Deferred tax liabilities	**(34,569)**	**5,657**	**-**	**131**	**(28,781)**
Net deferred tax liabilities	**(27,422)**	**4,213**	**-**	**130**	**(23,079)**

(1) Refer to note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX (continued)

(e) Tax consolidation legislation

AVJennings Limited and its wholly owned Australian controlled entities are in a tax consolidated group.

The entities in the tax consolidated group have entered into a tax sharing agreement which limits the joint and several liabilities of the wholly owned entities in the case of a default by the head entity, AVJennings Limited.

The entities in the tax consolidated group have also entered into a tax funding agreement to fully compensate/be compensated by AVJennings Limited for current tax balances and deferred tax assets or unused tax losses and credits transferred.

(f) Accounting

Income tax expense is calculated at the applicable tax rate and recognised in the profit and loss for the year, unless it relates to other comprehensive income or transactions recognised directly in equity.

The tax expense comprises current and deferred tax. Broadly, current tax represents the tax expense paid or payable for the current year. Deferred tax accounts for tax on temporary differences. Temporary differences generally occur when income and expenses are recognised by tax authorities and for accounting purposes in different periods.

Deferred tax assets, including those arising from tax losses, are only recognised to the extent it is probable that sufficient taxable profits will be available to utilise the losses in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section A3 Balance Sheet information

5. CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash at bank and in hand	**18,209**	**8,491**

Accounting

Cash and cash equivalents in the *Consolidated Statement of Financial Position* comprise cash at bank and in hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

6. RECEIVABLES

	2019 $'000	2018 $'000
Current		
Trade receivables (1)	9,354	81,731
Related party receivables	1,681	2,060
Other receivables	4,053	11,305
Total current receivables	**15,088**	**95,096**
Non-current		
Trade receivables (1)	754	14,003
Related party receivables	2,840	5,492
Other receivables	6,439	4,834
Total non-current receivables	**10,033**	**24,329**

(1) The decrease is attributable to the opening retained earnings adjustment on adoption of AASB 15 as explained in note 37.

(i) Accounting

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies the Standard's simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. RECEIVABLES (continued)

(ii) Expected credit losses

Negligible expected credit losses (2018: $Nil) have been recognised by the Group in the current year.

At 30 June, the ageing analysis of trade receivables is as follows:

		Number of days overdue					
	Total $'000	**Not due $'000**	**0-30 $'000**	**31-60 $'000**	**61-90 $'000**	**+ 91 $'000**	**+ 91# $'000**
2019	**10,108**	**10,108**	**-**	**-**	**-**	**-**	**-**
2018	95,734	95,731	-	-	-	3	-

Considered impaired

The carrying value of receivables is assumed to approximate their fair value.

The Group does not have any significant credit risk exposure to a single customer. Receivables in respect of land and built form require full settlement prior to passing of title.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INVENTORIES

	Note	2019 $'000	2018 $'000
Current			
Broadacres			
Land to be subdivided - at cost		4,454	35,320
Borrowing and holding costs capitalised	7(a)	1,028	2,844
Impairment provision		(387)	(875)
Total broadacres		5,095	37,289
Work-in-progress			
Land subdivided or in the course of being subdivided - at cost		31,741	51,444
Development costs capitalised		21,037	22,169
Houses and apartments under construction - at cost		15,613	24,125
Borrowing and holding costs capitalised	7(a)	5,134	12,372
Impairment provision		-	(607)
Total work-in-progress		73,525	109,503
Completed inventory			
Completed houses and apartments - at cost		62,152	35,633
Completed residential land lots - at cost		46,057	8,802
Borrowing and holding costs capitalised	7(a)	8,075	2,367
Impairment provision		(156)	(254)
Total completed inventory		116,128	46,548
Total current inventories		**194,748**	**193,340**
Non-current			
Broadacres			
Land to be subdivided - at cost		309,044	219,527
Borrowing and holding costs capitalised	7(a)	30,252	26,380
Impairment provision		(8,877)	(8,015)
Total broadacres		330,419	237,892
Work-in-progress			
Land subdivided or in the course of being subdivided - at cost		45,592	39,829
Development costs capitalised		34,938	8,003
Houses and apartments under construction - at cost		6,112	2,145
Borrowing and holding costs capitalised	7(a)	11,811	7,210
Impairment provision		-	(202)
Total work-in-progress		98,453	56,985
Completed inventory			
Completed houses and apartments - at cost		136	-
Completed residential land lots - at cost		1,190	178
Borrowing and holding costs capitalised	7(a)	92	11
Impairment provision		(29)	(29)
Total completed inventory		1,389	160
Total non-current inventories		**430,261**	**295,037**
Total inventories		**625,009**	**488,377**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INVENTORIES (continued)

(a) Borrowing costs attributable to qualifying assets are capitalised. These include interest and fees, and have been capitalised at a weighted average rate of 6.36% (2018: 6.27%).

(b) Inventory with a carrying value of $38,038,622 (2018: $116,235,000) was pledged as security for project specific borrowings (refer to note 14(b)). The Group's remaining inventory has been pledged as security for the main banking facility (refer to note 14(a)).

(c) The increase in inventory is partly attributable to the opening retained earnings adjustment made on adoption of AASB 15 as explained in note 37.

Accounting

Inventories are carried at the lower of cost and net realisable value (NRV).

Cost includes costs of acquisition, development, interest capitalised and all other costs directly related to specific projects. Borrowing and holding costs such as rates and taxes incurred after completion of development and construction are expensed. Costs expected to be incurred under penalty clauses and rectification provisions are also included.

NRV is the estimated selling price in the ordinary course of business less the estimated costs to complete and sell the inventory. NRV is estimated using the most reliable evidence at the time, including expected fluctuations in selling price and estimated costs to complete and sell.

Movement in impairment provisions

	Note	2019 $'000	2018 $'000
At beginning of year		9,982	13,462
Amounts utilised		(791)	(2,369)
Effect of adoption of new accounting standard	(a)	258	-
Amounts reversed		-	(1,111)
At end of year		**9,449**	**9,982**

(a) AASB 15 was adopted on 1 July 2018 using the modified retrospective approach. Refer to note 37. Revenue previously recognised under AASB 118 on sales contracts with builders in Australia which did not satisfy the recognition criteria under AASB 15 at 30 June 2018, were reversed through opening retained earnings. Inventory provisions utilised in relation to those sales contracts are also reversed.

8. INVESTMENT PROPERTY

During the year, the Group has recognised an investment property at Waterline, Victoria. This relates to a retail space asset, previously classified in inventory, which is now being held for long term yield and capital appreciation.

The Group accounts for its investment property at fair value and revaluations are recognised through profit and loss. The fair value at reporting date has been determined by the Directors with reference to the most recent external valuation performed by Knight Frank as at 21 November 2018.

The Capitalisation Approach using a capitalisation rate of 6.00%, and Direct Comparison Approach methods have been adopted in determining the fair value.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENT PROPERTY (continued)

	2019 $'000	2018 $'000
Opening balance at 1 July	-	-
Transfer from inventory	970	-
Net gain from fair value remeasurement	800	-
Closing balance at 30 June	**1,770**	**-**

Investment properties are measured as Level 3. Refer to note 21(v) for explanation of the levels of fair value measurement.

It is the policy of the Group for the Directors to review the fair value of each property every year, with reference to the most recent external valuation. Going forward, the fair value for investment properties will be based on periodic, but at least triennial, valuations by qualified external independent valuers.

9. OTHER ASSETS

	2019 $'000	2018 $'000
Prepayments	1,897	2,249
Deposits	495	4,901
Total other current assets	**2,392**	**7,150**

10. FINANCIAL ASSET

	2019 $'000	2018 $'000
Property Fund Units	**2,211**	**2,880**

These are units in unlisted property funds which don't have an active market. In the prior year, they were measured at cost less impairment.

As discussed in note 37, AVJennings adopted AASB 9 *Financial Instruments* on 1 July 2019. As a result, these units are now measured at fair value through profit and loss.

The financial asset at fair value through Profit and Loss is carried in the *Statement of Financial Position* at fair value with net changes in fair value recognised in *Statement of Profit and Loss*. Expected future cash flows discounted using a rate of 12%, have been used in determining the fair value.

Unlisted property fund units are measured as Level 3 financial instruments. Refer to note 21(v) for explanation of the levels of fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. PLANT AND EQUIPMENT

	2019 $'000	2018 $'000
Leasehold improvements		
At cost	1,075	376
Less: accumulated depreciation	(368)	(314)
Total leasehold improvements	**707**	**62**
Plant and equipment		
At cost	6,772	6,715
Less: accumulated depreciation	(6,420)	(6,241)
Total plant and equipment	**352**	**474**
Total plant and equipment	**1,059**	**536**

(i) Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the year are set out below:

For the year ended 30 June 2018	**Note**	**Leasehold improvements $'000**	**Plant and equipment $'000**	**Total $'000**
Carrying amount at 1 July 2017		90	702	792
Additions		-	15	15
Disposals		-	(2)	(2)
Depreciation charge	3	(28)	(241)	(269)
Carrying amount at 30 June 2018		**62**	**474**	**536**
For the year ended 30 June 2019				
Carrying amount at 1 July 2018		62	474	536
Additions		720	70	790
Disposals		(13)	(2)	(15)
Depreciation charge	3	(62)	(190)	(252)
Carrying amount at 30 June 2019		**707**	**352**	**1,059**

(ii) Accounting

Plant and equipment is stated at historical cost less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets using the following rates which are consistent with the prior year:

Plant and equipment	3-10 years
Leasehold improvements	3-10 years or lease term if shorter

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS

	2019 $'000	2018 $'000
Brand name at cost	9,868	9,868
Less: accumulated amortisation	(7,052)	(7,052)
Total intangible assets	**2,816**	**2,816**

The intangible asset relates to the value of the "AVJennings" brand name which was acquired as part of a business combination in 1995. On recognition, the asset was determined to have a finite life of 20 years and was amortised over the expected useful life. In accordance with the accounting policy discussed below, the amortisation period and the amortisation method are reviewed each year. A review carried out at 31 December 2009 determined that the brand name had indefinite life. This change in accounting estimate was applied prospectively with amortisation ceasing as of 31 December 2009.

At 30 June 2019, there were no indicators of impairment but an annual impairment test was performed and no impairment identified.

Accounting

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether it continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

13. PAYABLES

	2019 $'000	2018 $'000
Current		
Unsecured		
Land creditors	21,323	12,229
Trade creditors	6,544	8,298
Related party payables	150	150
Deferred Income	1,253	2,158
Other creditors and accruals	11,964	11,673
Total current payables	**41,234**	**34,508**
Non-current		
Unsecured		
Land creditors	20,830	18,884
Related party payables	-	2,978
Deferred Income	1,167	1,535
Other creditors and accruals	12	-
Total non-current payables	**22,009**	**23,397**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid.

Due to the short-term nature of current payables, their carrying amount is assumed to approximate their fair value. Non-current land creditors have been discounted using a rate of 5.68% (2018: 6.86%).

14. BORROWINGS

	2019 $'000	2018 $'000
Current		
Bank loans	543	13,407
Total current interest-bearing liabilities	**543**	**13,407**
Non-current		
Bank loans	199,792	125,799
Total non-current interest-bearing liabilities	**199,792**	**125,799**

Accounting

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset whilst in active development. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Subsequently, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Fees paid on establishment of loan facilities are capitalised as a prepayment and amortised over the period of the facility.

Borrowings are classified as current liabilities unless there is an unconditional right to defer repayment for at least 12 months after the reporting date.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. BORROWINGS (continued)

Financing arrangements

The Group has access to the following lines of credit:

	Note	Available $'000	Utilised $'000	Unutilised $'000
30 June 2019				
Main banking facilities	14(a)			
- bank overdraft		5,000	-	5,000
- bank loans		275,000	199,792	75,208
- performance bonds		20,000	17,325	2,675
		300,000	**217,117**	**82,883**
Project funding facilities	14(b)			
- bank loans		**4,978**	**543**	**4,435**
Contract performance bond facilities	14(c)			
- performance bonds		**45,000**	**39,812**	**5,188**
30 June 2018				
Main banking facilities	14(a)			
- bank overdraft		5,000	-	5,000
- bank loans		225,000	98,586	126,414
- performance bonds		20,000	7,079	12,921
		250,000	**105,665**	**144,335**
Project funding facilities	14(b)			
- bank loans		**70,000**	**40,620**	**29,380**
Contract performance bond facilities	14(c)			
- performance bonds		**45,000**	**28,531**	**16,469**

At 30 June 2019 main banking facilities are interchangeable up to $47 million (2018: $47 million) between the bank loans and performance bonds.

During the current and prior year, there were no defaults or breaches of any covenants relating to the facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. BORROWINGS (continued)

Significant terms and conditions

(a) Main banking facilities

The Group's main banking facilities mature on 30 September 2021. These facilities are secured by a fixed and floating charge over all the assets and undertakings of the entities within the Group that are obligors under the main banking facilities, and by first registered mortgages over various real estate inventories other than those controlled by the Group under project development agreements and those assets pledged as security for project funding (see note 14(b)). The Parent Entity has entered into a cross deed of covenant with various controlled entities to guarantee obligations of those entities in relation to the main banking facilities (see note 23). The weighted average interest rate including margin on the main banking facilities at 30 June 2019 was 2.80% (2018: 3.32%).

(b) Project funding facilities

Project funding facilities are secured by:

- a fixed and floating charge over the assets of the entities involved in the relevant projects, namely, AVJennings Waterline Pty Ltd and AVJennings Properties Wollert SPV Pty Ltd; and
- a first registered mortgage over certain real estate inventories of the entities involved in the relevant projects, namely, AVJennings Waterline Pty Ltd and AVJennings Properties Wollert SPV Pty Ltd.

The AVJennings Waterline Pty Ltd facility was repaid on 28 June 2019.

The lines of credit shown are maximum limits which are available progressively as projects are developed. The expiry date for the facility at the reporting date is October 2019. The outstanding amounts are expected to be repaid or refinanced prior to expiry of the facility. As at 30 June 2019, the balance outstanding on the bank loan facilities was $543,000 (2018: $40,620,000).

	2019 $'000	2018 $'000
The carrying amounts of the pledged assets are as follows:		
Waterline, Victoria	-	117,703
Wollert, Victoria	43,260	-

The weighted average interest rate including margin on the project funding loans at 30 June 2019 was 2.98% (2018: 3.37%).

(c) Contract performance bond facilities

The Group has entered into Contract performance bond facilities of $45,000,000 (2018: $45,000,000) which are subject to review annually. $15,000,000 of the facilities expire on 31 December 2019 with the balance expiring on 30 April 2020. Management expects the annual review which is underway, to be completed shortly and the facilities extended for a further 12 months. The performance bond facilities are secured by Deeds of Indemnity between the Parent Entity and various controlled entities. Details of the controlled entities, included in the Deeds of Indemnity are set out in note 23.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROVISIONS

	Rectification and maintenance $'000	Restructuring $'000	Annual leave and long service leave $'000	Total $'000
At 1 July 2018	**3,850**	**-**	**6,761**	**10,611**
Arising during the year	522	216	1,475	2,213
Utilised	(4,090)	-	(1,705)	(5,795)
At 30 June 2019	**282**	**216**	**6,531**	**7,029**
Current	282	216	6,049	6,547
Non-Current	-	-	482	482
At 1 July 2017	**1,692**	-	**6,474**	**8,166**
Arising during the year	3,030	-	1,652	4,682
Utilised	(561)	-	(1,365)	(1,926)
Unused amounts reversed	(311)	-	-	(311)
At 30 June 2018	**3,850**	**-**	**6,761**	**10,611**
Current	3,850	-	6,019	9,869
Non-Current	-	-	742	742

Accounting

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The non-current portion is discounted using corporate bond rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. CONTRIBUTED EQUITY

	2019 Number	2018 Number	2019 $'000	2018 $'000
Ordinary shares	406,230,728	394,926,905	177,961	170,481
Treasury shares	(762,619)	(495,632)	(3,452)	(2,538)
Share capital	**405,468,109**	**394,431,273**	**174,509**	**167,943**

(a) Movement in ordinary share capital

	2019 Number	2018 Number	2019 $'000	2018 $'000
At beginning of year	394,926,905	384,423,851	170,481	162,793
Issued under the Dividend Reinvestment Plan	11,303,823	7,252,488	7,480	5,309
Issued pursuant to the Underwriting Agreement	-	3,250,566	-	2,379
At end of year	**406,230,728**	**394,926,905**	**177,961**	**170,481**

On 17 August 2018, the Company announced a fully franked final dividend of 3.0 cents per share to be paid on 11 October 2018. The Company also announced the Dividend Reinvestment Plan (DRP) would be reactivated for this dividend.

The DRP offered shares in the capital of the Company (Shares) to each shareholder of the Company with a registered address in Australia and New Zealand (and otherwise as determined pursuant to the DRP) by way of reinvestment of some or all of their dividend entitlement.

The issue price under the DRP was $0.6616 per share, being the average of the daily volume weighted average price of all AVJennings' shares sold on the ASX during the Pricing Period, which commenced on 14 September 2018 and concluded on 20 September 2018, less a 2.5% discount.

On 11 October 2018, AVJennings issued 11,303,823 Shares to shareholders of AVJennings under the DRP. The issued shares raised $7,480,000 in total.

On 11 February 2019, the Company declared a fully franked interim dividend of 1.0 cent per share which was paid on 22 March 2019. The DRP was suspended for this dividend.

(b) Movement in treasury shares	2019 Number	2018 Number	2019 $'000	2018 $'000
At beginning of year	(495,632)	(842,089)	(2,538)	(2,357)
On market acquisition of shares	(1,462,177)	(248,020)	(914)	(181)
Employee share scheme issue	1,195,190	594,477	-	-
At end of year	**(762,619)**	**(495,632)**	**(3,452)**	**(2,538)**

During the year, 1,462,177 treasury shares were purchased by the AVJ Deferred Employee Share Plan Trust at a cost of $914,000.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. CONTRIBUTED EQUITY (continued)

Holders of ordinary shares are entitled to dividends and to one vote per share at shareholder meetings.

Accounting

Incremental costs directly attributable to the issue of ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Shares held by the AVJ Deferred Employee Share Plan Trust are disclosed as treasury shares and deducted from contributed equity.

17. RESERVES AND RETAINED EARNINGS

(a) Reserves

	Note	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Total $'000
At 1 July 2017		**3,724**	**2,898**	**6,622**
Foreign currency translation		(714)	-	(714)
Share-based payment expense	30(a)	-	998	998
At 30 June 2018		**3,010**	**3,896**	**6,906**
Foreign currency translation		1,246	-	1,246
Share-based payment expense	30(a)	-	730	730
At 30 June 2019		**4,256**	**4,626**	**8,882**

(b) Nature and purpose of reserves

Foreign currency translation reserve

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income as explained in note 38(e) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the *Consolidated Statement of Comprehensive Income* when the net investment is disposed of.

Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of rights to shares or shares issued to employees, with a corresponding increase in employee expense in the *Consolidated Statement of Comprehensive Income.*

(c) Retained earnings

	Note	2019 $'000	2018 $'000
Movements in retained earnings were as follows:			
At beginning of year		224,149	213,945
Effect of adoption of new accounting standard	37	(11,792)	-
At beginning of year (restated)		212,357	213,945
Profit after income tax		16,439	31,347
Dividends declared and paid		(15,910)	(21,143)
At end of year		**212,886**	**224,149**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. DIVIDENDS

	2019 $'000	2018 $'000
Cash dividends declared and paid		
2017 final dividend of 3.5 cents per share, paid 19 September 2017. Fully franked @ 30% tax	-	13,455
2018 interim dividend of 2.0 cents per share, paid 19 April 2018. Fully franked @ 30% tax	-	7,688
2018 final dividend of 3.0 cents per share, paid 11 October 2018. Fully franked @ 30% tax	11,848	-
2019 interim dividend of 1.0 cent per share, paid 22 March 2019. Fully franked @ 30% tax	4,062	-
Total cash dividends declared and paid	**15,910**	**21,143**
Dividends proposed		
2018 final dividend of 3.0 cents per share, paid 11 October 2018. Fully franked @ 30% tax	-	11,848
2019 final dividend of 1.5 cents per share, to be paid 20 September 2019. Fully franked @ 30% tax	6,093	-
Total dividends proposed	**6,093**	**11,848**

The Company's Dividend Reinvestment Plan is suspended.

Dividend franking account		
Franking credits available for subsequent financial years based on a tax rate of 30%	**27,029**	**22,951**

The above balance is based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of the amount provided for income tax; and
- franking debits that will arise from the payment of dividends proposed at year-end.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section A4 Cash Flow information

19. CASH FLOW STATEMENT RECONCILIATION

Reconciliation of profit after tax to net cash flow (used in)/from operating activities

		2019 $'000	2018 $'000
Profit after tax		**16,439**	**31,347**
Adjustments for non-cash items:			
Depreciation		252	269
Net loss on disposal of plant and equipment		15	2
Interest revenue classified as investing cash flow		(1,315)	(1,410)
Share of loss/(profit) of associates and joint venture entities		274	(226)
Change in inventory loss provisions		(533)	(3,480)
Share-based payments expense		730	998
Fair value adjustment to investment property		(800)	-
Fair value adjustment to financial asset		669	-
Provision for loss on equity accounted investments		607	-
Change in operating assets and liabilities:			
(Increase)/decrease in inventories	(a) (b)	(89,536)	34,309
Decrease in receivables	(a)	29,829	40,578
Decrease/(increase) in other current assets		4,758	(4,077)
(Decrease) in deferred tax liability	(a)	(2,852)	(4,343)
(Decrease)/increase in current tax liability		(7,502)	5,502
Increase/(decrease) in payables	(a)	6,763	(55,971)
(Decrease)/increase in provisions		(3,582)	4,137
Net cash (used in)/from operating activities		**(45,784)**	**47,635**

(a) The current year movement includes the effect of the opening retained earnings adjustment explained in note 37.

(b) Inventory transferred to investment property is excluded from the movement. Refer to note 8 for detail.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section B – Risk

20. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements involves the use of certain critical accounting estimates and requires management to exercise judgement. These estimates and judgements are continually reviewed based on historical experience, current and expected market conditions as well as other relevant factors.

(i) Judgements

In applying the Group's accounting policies, management makes judgements, which can significantly affect the amounts recognised in the *Consolidated Financial Statements*.

Timing of revenue recognition

This includes the determination of whether revenue recognition criteria have been satisfied on sales of land lots with deferred settlement terms.

(ii) Estimates and assumptions

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Estimates of net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made of the net amount expected to be realised from the sale of inventories, and the estimated costs to complete.

Profit recognised on developments:

The calculation of profit for land lots and built form is based on actual costs to date and estimates of costs to complete.

Fair value measurement:

Judgement is exercised in determining:

- fair value of financial asset carried at fair value through profit and loss.
- fair value of investment property.

21. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets and financial liabilities comprise receivables, payables, loans and borrowings, investment in property funds, and cash.

The Group's treasury department focuses on the following main financial risks: interest rate risk, foreign currency risk, credit risk and liquidity risk. Financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with policies and risk objectives.

Responsibility for the monitoring of financial risk exposure and the formulation of appropriate responses rests with the Chief Financial Officer.

The Board reviews and approves these policies.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or associated future cash flows will fluctuate because of changes in market interest rates. The exposure to market interest rates primarily relates to interest-bearing loans and borrowings issued at variable rates.

In assessing interest rate risk, the Group considers loan maturity and cash flow profiles and the outlook for interest rates.

The Group uses various techniques, including interest rate swaps, caps and floors to hedge the risk associated with interest rate fluctuations. These derivatives do not qualify for hedge accounting and changes in fair value are recognised in profit and loss. However, the forecast cash position together with the current benign outlook for medium term interest rates has resulted in the Group retaining all of the drawn debt at variable rates of interest.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and their fair value is reassessed at the end of each reporting period. Derivative financial instruments are not held for trading purposes.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT (continued)

At balance date, the following variable rate borrowings were outstanding:

	2019		2018	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Cash	0.89	(18,209)	1.43	(8,491)
Bank loans	2.80	200,335	3.33	139,206
Net financial liabilities		**182,126**		**130,715**
Borrowings not hedged		**182,126**		**130,715**

The following table shows the impact on profit after tax if interest rates changed by 50 basis points. The calculation is based on borrowings and cash held at year-end. It assumes that interest is capitalised to qualifying assets as disclosed in note 3:

	Profit After Tax Higher/(Lower)	
	2019	2018
	$'000	$'000
+50 basis points	(89)	(153)
-50 basis points	89	153

The effect on the basis that no interest is capitalised, would be as follows:

	Profit After Tax Higher/(Lower)	
	2019	2018
	$'000	$'000
+50 basis points	(637)	(458)
-50 basis points	637	458

(ii) Foreign currency risk

Foreign currency risk arises from NZD denominated assets (balance sheet risk) or from transactions or cash flows denominated in NZD (cash flow risk).

The following table demonstrates the sensitivity to a change in AUD/NZD exchange rates on exposures existing at balance date.

With all other variables held constant, profit after tax and equity would have been affected as follows:

	Profit After Tax Higher/(Lower)		Equity Higher/(Lower)	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
AUD/NZD +10%	-	(102)	125	(173)
AUD/NZD -10%	-	102	(125)	173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT (continued)

(iii) Credit risk

Credit risk is the risk that a counterparty will not meet its contractual obligations under a financial instrument, leading to a financial loss. Credit risk arises from cash and cash equivalents, receivables, financial assets and from granting of financial guarantees.

Contracts for Land, Integrated Housing and Apartments usually require payment in full prior to passing of title to customers and collateral is therefore unnecessary. In the event that title is to pass prior to full payment being received, appropriate credit verification procedures are performed before contract execution.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with Group policy. Surplus funds are typically applied to repay drawn loans to minimise borrowing costs. Counterparties are limited to financial institutions approved by the Board.

The granting of financial guarantees also exposes the Group to credit risk, being the maximum amount that would have to be paid if the guarantee is called on. As the amounts payable under the guarantees are not significantly greater than the original liabilities, this risk in not material. See note 35 for details regarding financial guarantees.

The Group has no significant concentrations of credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages its liquidity risk by monitoring forecast cash flows on a fortnightly basis and matching the maturity profiles of financial assets and liabilities. These are reviewed by the Chief Financial Officer and presented to the Board as appropriate. The objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and committed available credit facilities.

The current main banking facilities are due to mature on 30 September 2021 and are therefore non-current. In addition, the Group operates certain project funding facilities which are discussed in note 14(b). The maturity profile of all debt facilities is monitored on a regular basis by the Chief Financial Officer and ongoing financing plans presented to the Board for approval well in advance of maturity.

At 30 June 2019, 0.3% (2018: 9.6%) of the Group's interest-bearing loans and borrowings will mature in less than one year.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT (continued)

(iv) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments.

Year ended 30 June 2019	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	18,209	-	-	18,209
Receivables	10,688	4,400	10,033	25,121
	28,897	**4,400**	**10,033**	**43,330**
Financial Liabilities				
Payables	29,038	12,196	24,069	65,303
Interest-bearing loans and borrowings*	3,347	2,787	206,788	212,922
Financial Guarantees	1,148	-	-	1,148
	33,533	**14,983**	**230,857**	**279,373**
Net maturity	**(4,636)**	**(10,583)**	**(220,824)**	**(236,043)**

Year ended 30 June 2018	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	8,491	-	-	8,491
Receivables	61,716	33,380	24,329	119,425
	70,207	**33,380**	**24,329**	**127,916**
Financial Liabilities				
Payables	24,717	9,791	26,692	61,200
Interest-bearing loans and borrowings*	2,326	15,643	130,275	148,244
Financial Guarantees	2,135	-	-	2,135
	29,178	**25,434**	**156,967**	**211,579**
Net maturity	**41,029**	**7,946**	**(132,638)**	**(83,663)**

*Expected settlement amounts of interest-bearing loans and borrowings include an estimate of the interest payable to the date of expiry of the facilities.

At reporting date, the Group has approximately $93 million (2018: $190 million) of unused credit facilities available. Please refer to note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT (continued)

(v) Fair value

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities:

	Year ended 30 June 2019				Year ended 30 June 2018			
	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Financial assets								
Financial asset	-	-	2,211	2,211	-	-	-	-
	-	-	2,211	2,211	-	-	-	-
Financial liabilities								
Interest-bearing loans and borrowings	-	200,335	-	200,335	-	139,206	-	139,206
	-	200,335	-	200,335	-	139,206	-	139,206

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Investment property is considered Level 3. Refer to note 8: Investment Property.

22. CAPITAL MANAGEMENT

In managing capital, management's objective is to achieve an efficient capital structure which optimises the weighted average cost of capital commensurate with business requirements and prudential considerations.

During the year ended 30 June 2019, a total dividend of $15,910,000 was paid (2018: $21,143,000).

Management monitors capital mix through the debt to equity ratio (net debt/total equity) and the debt to total assets ratio (net debt/total assets) calculated below:

	2019 $'000	2018 $'000
Interest-bearing loans and borrowings	200,335	139,206
Less: cash and cash equivalents	(18,209)	(8,491)
Net debt	182,126	130,715
Total equity	396,277	398,998
Total assets	685,236	640,396
Net debt to equity ratio	**46.0%**	**32.8%**
Net debt to total assets ratio	**26.6%**	**20.4%**

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section C – Group Structure

23. CONTROLLED ENTITIES

(a) Investment in controlled entities

The following economic entities are the controlled entities of AVJennings Limited:

	% Equity Interest		Included in Banking Cross Deed of Covenant [2]	
ECONOMIC ENTITY [1]	**2019**	**2018**	**2019**	**2018**
Entities included in the Closed Group				
A.V. Jennings Real Estate Pty Limited	100	100	No	No
AVJennings Real Estate (VIC) Pty Limited	100	100	No	No
AVJennings Holdings Limited[3]	100	100	Yes	Yes
AVJennings Properties Limited[3]	100	100	Yes	Yes
Jennings Sinnamon Park Pty Limited	100	100	No	No
Long Corporation Limited[3]	100	100	Yes	Yes
Orlit Pty Limited[3]	100	100	Yes	Yes
Sundell Pty Limited[3]	100	100	Yes	Yes
AVJennings Housing Pty Limited[3]	100	100	Yes	Yes
AVJennings Home Improvements S.A. Pty Limited[3]	100	100	Yes	Yes
AVJennings Mackay Pty Limited[3]	100	100	Yes	Yes
Entities excluded from the Closed Group				
Crebb No 12 Pty Limited[4]	-	100	-	Yes
Dunby Pty Limited[4]	-	100	-	Yes
Epping Developments Limited[4]	-	100	-	No
Montpellier Gardens Pty Limited[3]	100	100	Yes	Yes
AVJ ODP Pty Limited[4]	-	100	-	No
AVJennings (Cammeray) Pty Limited[3]	100	100	Yes	Yes
AVJennings Syndicate No 3 Limited	100	100	No	No
AVJennings Syndicate No 4 Limited[3]	100	100	Yes	Yes
AVJennings Officer Syndicate Limited[3]	100	100	Yes	Yes
AVJennings Properties SPV No 1 Pty Limited	100	100	No	No
AVJennings Properties SPV No 2 Pty Limited[3]	100	100	Yes	Yes
AVJennings Properties SPV No 4 Pty Limited[3]	100	100	Yes	Yes
AVJennings Wollert Pty Limited[3]	100	100	Yes	Yes
AVJ Erskineville Pty Limited[3]	100	100	Yes	Yes
AVJ Hobsonville Pty Limited[3]	100	100	Yes	Yes
AVJennings Properties SPV No 9 Pty Limited[3]	100	100	Yes	Yes
AVJennings SPV No 10 Pty Limited	100	100	No	No
AVJennings SPV No 19 Pty Limited[3]	100	100	Yes	Yes
AVJennings SPV No 20 Pty Limited	100	100	No	No
AVJennings SPV No 22 Pty Limited[3]	100	100	Yes	Yes
AVJennings SPV No 23 Pty Limited	100	100	No	No
AVJennings SPV No 24 Pty Limited	100	100	No	No
AVJBOS Nominees Pty Limited[4]	-	100	-	No
AVJBOS Eastwood Developments Pty Limited[4]	-	100	-	No
AVJBOS Eastwood Finance Pty Limited[4]	-	100	-	No

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. CONTROLLED ENTITIES (continued)

(a) Investment in controlled entities (continued)

	% Equity Interest		Included in Banking Cross Deed of Covenant (2)	
ECONOMIC ENTITY (1)	**2019**	**2018**	**2019**	**2018**
Entities excluded from the Closed Group				
Creekwood Developments Pty Limited(3)	100	100	Yes	Yes
Portarlington Nominees Pty Limited(3)	100	100	Yes	Yes
AVJennings St Clair Pty Limited(3)	100	100	Yes	Yes
St Clair JV Nominee Pty Limited(3)	100	100	Yes	Yes
AVJennings Properties Wollert SPV Pty Limited	100	100	No	No
AVJennings Waterline Pty Limited	100	100	No	No
Cusack Lane Nominees Pty Ltd(5)	100	50	No	No
AVJennings NZ Management Services Ltd(6)	100	-	No	No

(1) All entities with the exception of AVJennings NZ Management Services Ltd are incorporated in Australia. With the exception of AVJ Hobsonville Pty Limited which has a branch in New Zealand and AVJennings NZ Management Services Ltd which is incorporated and operates in New Zealand, all entities operate within Australia.

(2) These entities, including AVJennings Limited, are included under the Banking Cross Deed of Covenant referred to in note 14(a).

(3) These entities, including AVJennings Limited, are included in the Deeds of Indemnity for performance bond facilities referred to in note 14(c).

(4) Deregistered during the year.

(5) The remaining 50% was acquired as part of the transaction to purchase the joint venture partner's interest in Cusack Lane Development Joint Venture. Refer to note 25.

(6) Incorporated in New Zealand on 24 May 2019.

(b) Ultimate parent

AVJennings Limited is the ultimate Australian parent entity. SC Global Developments Pte Ltd is the ultimate parent entity.

(c) Deeds of cross guarantee

Certain entities within the Group are parties to deeds of cross guarantee under which each controlled entity guarantees the debts of the others. By entering into these deeds, the controlled entities are relieved from the requirement to prepare Financial Statements and Directors' Reports under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission (ASIC). Those entities included in the Closed Group are listed in note 23(a). These entities represent a "Closed Group" for the purposes of the Corporations Instrument, and as there are no other parties to the deeds of cross guarantee that are controlled by AVJennings Limited, they also represent the "Extended Closed Group".

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. CONTROLLED ENTITIES (continued)

(d) Corporations Instrument closed group

Certain controlled entities were granted relief by ASIC (under provisions of the Corporations Instrument) from the requirement to prepare separate audited financial statements, where deeds of indemnity have been entered into between the Parent Entity and the Controlled Entities to meet their liabilities as required (refer to note 23(c)).

The Extended Closed Group referred to in the *Directors' Declaration* therefore comprises all of the entities within the Corporations Instrument. Certain entities falling outside of the Extended Closed Group are listed in note 23(a), and are therefore required to prepare separate annual financial statements.

The *Consolidated Statement of Comprehensive Income* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2019	**2018**
	$'000	**$'000**
Revenues	149,610	240,082
Cost of property development sold	(106,817)	(170,670)
Other expenses	(41,357)	(39,315)
Profit before income tax	**1,436**	**30,097**
Income tax	(30)	(9,214)
Profit after income tax	**1,406**	**20,883**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. CONTROLLED ENTITIES (continued)

(d) Corporations Instrument closed group (continued)

The *Consolidated Statement of Financial Position* for those controlled entities which are party to the deed is as follows:

	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	7,660	7,433
Receivables	185,479	177,186
Inventories	75,966	98,337
Other assets	1,615	1,782
Total current assets	**270,720**	**284,738**
Non-current assets		
Receivables	9,036	17,708
Inventories	164,085	114,356
Equity accounted investments	6,649	7,709
Financial asset	2,211	2,880
Plant and equipment	1,059	536
Intangible assets	2,816	2,816
Total non-current assets	**185,856**	**146,005**
Total assets	**456,576**	**430,743**
Current liabilities		
Payables	17,758	21,871
Tax payable	2,150	9,717
Provisions	6,348	5,896
Total current liabilities	**26,256**	**37,484**
Non-current liabilities		
Payables	15,143	11,917
Interest-bearing loans and borrowings	152,000	94,000
Deferred tax liabilities	14,224	20,788
Provisions	482	742
Total non-current liabilities	**181,849**	**127,447**
Total liabilities	**208,105**	**164,931**
Net assets	**248,471**	**265,812**
Equity		
Contributed equity	174,509	167,943
Reserves	4,626	3,896
Retained earnings	69,336	93,973
Total equity	**248,471**	**265,812**

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. CONTROLLED ENTITIES (continued)

(d) Corporations Instrument closed group (continued)

The *Consolidated Statement of Changes in Equity* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2019	**2018**
	$'000	**$'000**
At beginning of year	265,812	257,567
Effect of adoption of new accounting standard	(10,133)	-
Comprehensive income:		
Profit for the year	1,406	20,883
Total comprehensive income for the year	1,406	20,883
Transactions with owners in their capacity as owners		
- Ordinary share capital raised	7,480	7,688
- Treasury shares acquired	(914)	(181)
- Share-based payment expense	730	998
- Dividends paid	(15,910)	(21,143)
Total transactions with owners in their capacity as owners	(8,614)	(12,638)
At end of year	**248,471**	**265,812**

24. EQUITY ACCOUNTED INVESTMENTS

	2019	**2018**
	$'000	**$'000**
Joint Ventures	**6,649**	**10,721**

Accounting

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures are accounted for using the equity method. Under the equity method, investments in these entities are carried at cost plus post acquisition changes in the Group's share of net assets of these entities.

The aggregate of the Group's share of profit or loss after tax of joint ventures is disclosed in the *Consolidated Statement of Comprehensive Income*. Dividends received from a joint venture are recognised as a reduction in the carrying amount of the investment. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint venture, until the underlying assets are realised by the joint venture on consumption or sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. EQUITY ACCOUNTED INVESTMENTS (continued)

If there is objective evidence that the investment in the joint venture is impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises it in the *Consolidated Statement of Comprehensive Income.*

Interest in Joint Ventures

	Interest held	
	2019	**2018**
Joint Venture and principal activities		
Woodville - Land Development and Building Construction[1]	-	50.0%
Pindan Capital Group Dwelling Trust - Building Construction	33.3%	33.3%

	2019 $'000	**2018 $'000**
Movements in carrying amount		
At beginning of year	10,721	8,444
Contributions made	-	2,047
Dividends received	(1,655)	-
Amounts received	(1,536)	-
Share of (loss)/profit	(274)	230
Provision for loss on equity accounted investments	(607)	-
At end of year	**6,649**	**10,721**

The Group's share of the Joint Ventures' assets, liabilities, revenues and expenses are as follows:

	2019 $'000	**2018 $'000**
Share of assets and liabilities		
Current assets	333	222
Non-current assets	9,161	13,871
Total assets	9,494	14,093
Current liabilities	859	648
Non-current liabilities	1,986	2,724
Total liabilities	2,845	3,372
Net assets	**6,649**	**10,721**
Share of revenues and expenses		
Revenues	3,606	4,920
Cost of property developments sold	(2,815)	(3,594)
Expenses	(1,058)	(1,097)
(Loss)/profit before income tax	(267)	229
Income tax	(7)	1
(Loss)/profit after income tax	**(274)**	**230**

At 30 June 2019, there were no significant commitments entered into by the Joint Venture.

(1) During the year, the development and sales of property at Woodville was completed.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. INTEREST IN JOINT OPERATIONS

A number of controlled entities have entered into Joint Operations. Information relating to the Joint Operations is set out below:

	Interest held	
	2019	**2018**
Joint Operation name, principal place of business and principal activities		
Wollert Joint Venture (Victoria) - Land Development and Building Construction	49%	49%
Cusack Lane Development Joint Venture (Queensland) - Land Development	-	50%

On 17 April 2019, the Group contracted to purchase the 50% share held by the joint operation partner in the Cusack Lane Development Joint Venture. The transaction settled on 27 June 2019 and was accounted for as an asset acquisition.

Accounting

A Joint Operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the Joint Operation. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The proportionate interests in the assets, liabilities, revenues and expenses of Joint Operations have been recognised in the Financial Statements under the appropriate headings.

The Group's share of the Joint Operations' assets, liabilities, revenues and expenses are as follows:

	2019 $'000	**2018 $'000**
Share of assets and liabilities		
Current assets	16,163	17,793
Non-current assets	27,097	49,690
Total assets	**43,260**	**67,483**
Current liabilities	6,826	3,376
Non-current liabilities	7,068	8,174
Total liabilities	**13,894**	**11,550**
Net assets	**29,366**	**55,933**
Share of revenues and expenses		
Revenues	34,797	898
Cost of property developments sold	(25,856)	(672)
Other expenses	(2,141)	(786)
Profit/(loss) before income tax	**6,800**	**(560)**
Income tax	(2,040)	168
Profit/(loss) after income tax	**4,760**	**(392)**
Total comprehensive income/(loss) for the year	**4,760**	**(392)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section D – Other information

26. CORPORATE INFORMATION

The Consolidated Financial Statements of AVJennings Limited for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 5 September 2019.

AVJennings Limited (the Parent) is a for-profit Company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the Singapore Exchange through SGX Globalquote. The Ultimate Parent is SC Global Developments Pte Ltd, a company incorporated in Singapore which owns 53.88% of the ordinary shares in AVJennings Limited.

The Group ("AVJennings" or "Group") consists of AVJennings Limited ("Company" or "Parent") and its controlled entities.

The nature of the operations and principal activities of the Group are provided in the *Directors' Report*.

27. STATEMENT OF COMPLIANCE

These Consolidated Financial Statements are general purpose financial reports. They have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

28. BASIS OF PREPARATION

These Financial Statements have been prepared on a going concern basis, using historical cost convention with the exception of financial assets at fair value through profit and loss. All figures in the Financial Statements are presented in Australian dollars and have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations Instrument 2016/191*, unless otherwise indicated.

Where necessary, comparative information has been restated to conform to the current year's disclosures.

Consistent accounting policies have been applied in the current and prior years with the exception of *AASB 9 Financial Instruments* and *AASB 15 Revenue from Contracts with Customers*. See note 37 for further details.

29. RELATED PARTY DISCLOSURES

(a) Ultimate parent

AVJennings Limited is the ultimate Australian Parent entity. SC Global Developments Pte Ltd (incorporated in Singapore) is the Ultimate Parent entity.

(b) Share and share option transactions with Directors and Director-related entities

The aggregate number of shares and options held at the reporting date either directly or indirectly or beneficially by the Directors or by an entity related to those Directors of AVJennings Limited are as follows:

	Owned by Directors directly, or indirectly or beneficially	
	2019 Number	2018 Number
Fully paid ordinary shares	224,206,692	214,060,712

(c) Entity with significant influence over AVJennings Limited

218,881,387 ordinary shares equating to 53.88% of the total ordinary shares on issue (2018: 209,386,826 and 53.02% respectively) were held by SC Global Developments Pte Ltd and its subsidiaries in the Parent Entity at 30 June 2019. Certain Directors of SC Global Developments Pte Ltd are also Directors of AVJennings Limited. Details of Directors' interests in the shares of the Parent Entity are set out in the *Directors' Report*.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. RELATED PARTY DISCLOSURES (continued)

(d) Parent Entity amounts receivable from and payable to controlled entities

The Group recognises an allowance for expected credit losses (ECLs) for all related party receivables. Negligible expected credit loss over these amounts have been assessed as at 30 June 2019.

(e) Transactions with related parties

	Note	2019 $	2018 $
Entity with significant influence over the Group:			
SC Global Developments Pte Ltd			
Consultancy fee paid/payable	(i)	600,000	600,000
Joint Ventures and Associate			
Epping JV			
Equity repatriation		-	1,684
Woodville JV			
Accounting services fee received/receivable		19,500	12,000
Dividends received		1,389,669	-
Equity repatriations		1,601,719	-
Joint Operations:			
Wollert JV			
Management fee received/receivable		4,380,854	642,631
Accounting services fee received/receivable		50,000	50,000
Cusack Lane Development JV	(ii)		
Management fee received/receivable		185,282	317,626
Accounting services fee received/receivable		29,167	50,000

(i) Consultancy fees paid to SC Global Developments Pte Ltd of $600,000 (2018: $600,000).

(ii) Ceased to be a joint venture on 27 June 2019.

(f) Joint ventures and Joint operations in which related entities in the Group are venturers

Joint arrangements in which the Group has an interest are set out in notes 24 and 25.

(g) Outstanding balances arising from provision of services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties.

	2019 $'000	2018 $'000
Current receivables		
Joint Ventures	1,681	2,060
Non-current receivables		
Joint Ventures and others	1,181	4,336
Current payables		
SC Global Developments Pte Ltd	150	150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. RELATED PARTY DISCLOSURES (continued)

(h) Amounts advanced to and received from related parties

	2019 $'000	2018 $'000
Amounts advanced		
Joint Ventures and others	1,659	1,156
Amounts received		
Joint Ventures	-	2,978

(i) Remuneration of Key Management Personnel (KMP)

	2019 $'000	2018 $'000
Short-term		
- Salary/Fees	2,216,088	1,983,855
- Accrued annual leave	68,835	46,965
- STI	377,106	370,870
- Other [1]	44,747	91,828
Post employment		
- Superannuation [2]	123,496	111,957
Long-term		
- Accrued Long service leave	90,846	83,696
Share-based payment	348,775	674,467
	3,269,893	**3,363,638**

(1) 'Other' represents the value of motor vehicle benefits.

(2) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions.

(j) Terms and conditions of transactions with related parties

Transactions with related parties are made at arm's length both at normal market prices and on normal commercial terms. Outstanding balances at year-end are unsecured, interest free, at call and settlement occurs in cash.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

Total expenses arising from share-based payment transactions and disclosed as part of employee benefit expenses are shown in the table below:

	2019 $'000	2018 $'000
Expense arising from equity-settled share-based payment transactions	1,132	998
Expense reversed on forfeiture of shares	(402)	-
Total expense arising from share-based payment transactions	**730**	**998**

The share-based payment plan is described in note 30(b).

(b) Type of share-based payment plan

LTI awards are only made to executives who have the ability to impact the Group's performance and create shareholder value over the long term.

LTI remuneration is provided by the Issue of Rights and includes a performance and a retention component. The use of Rights as an incentive reduces the upfront cash requirements (as shares do not need to be acquired for allocations). Shares are acquired on market by the Plan Trustee to satisfy the grant of shares in respect of rights which have vested. Participants do not receive dividends on Rights (as distinct from shares).

LTI and retention

Retention Rights are granted in three equal tranches which vest in each of the three succeeding years following the year of grant.

Retention component – years of service	Percentage of rights vesting
one year	33.33%
two years	33.33%
three years	33.34%

LTI and performance

Up to 50% of the Performance Rights granted vest depending on AVJennings' average growth rate in Earnings Per Share (EPS) over the next three financial years.

Up to 50% of the Performance Rights granted vest depending on AVJennings' Return on Equity (ROE) over the next three financial years. The Return on Equity (ROE) component of the Performance Rights uses market capitalisation as a proxy for equity.

The performance conditions are tested at the end of the three-year measurement period. The service rights are split into three tranches that progressively vest each year subject to satisfaction of the service condition. The CEO's participation was determined as 40% (Performance Rights) and 25% (Service Rights) of TEC respectively.

The operation of the EPS, ROE and Retention hurdles are set out below.

AVJennings' EPS growth rate over the three year performance period	Percentage of rights vesting
< 5%	Nil
5%	50% of the allocation for the hurdle
5% –10%	Pro-rata between 50% and 100%
>=10%	100% of the allocation for the hurdle

AVJennings' ROE over the three year performance period	Percentage of rights vesting
<12%	Nil
12%	50% of the allocation for the hurdle
15%	75% of the allocation for the hurdle
>=18%	100% (Straight line interpolation between 12% and 18%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE-BASED PAYMENT PLANS (continued)

Accounting

The fair value of the Rights at the date of the grant is determined using an appropriate valuation model. The fair value is expensed over the period in which the performance and/or service conditions are fulfilled with a corresponding increase in share-based payment reserve in equity. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the *Consolidated Statement of Comprehensive Income* represents the movement in cumulative expense recognised between the beginning and end of that period. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

(c) Summary of rights granted

The following is the status of rights granted (both KMP and other executives) from FY15 onwards under the restructured share-based remuneration:

	Total rights granted	Rights vested to date	Rights forfeited to date	Unvested rights at 30 June 2019
FY2015 Grant	1,363,583	(792,668)	(570,915)	-
FY2016 Grant	1,587,251	(973,466)	(613,785)	-
FY2017 Grant	1,859,171	(505,598)	(97,085)	1,256,488
FY2018 Grant	1,671,573	(242,908)	-	1,428,665
FY2019 Grant	1,841,470	-	-	1,841,470
Total	**8,323,048**	**(2,514,640)**	**(1,281,785)**	**4,526,623**

The following table gives details and inputs in respect of the rights granted for the retention and performance components for the years ended 30 June 2019 and 2018.

	2019 Retention	2019 Performance
Number of rights granted	800,761	1,040,709
Weighted average fair value at measurement date	$0.5957	$0.5461
Dividend yield (%)	7.35	7.35
Risk-free interest rate (%)	1.91 to 2.03	2.05
Expected life (years)	0.88 to 2.89	3.09
Share price	$0.68	$0.68

	2018 Retention	2018 Performance
Number of rights granted	728,720	942,853
Weighted average fair value at measurement date	$0.6355	$0.5852
Dividend yield (%)	6.94	6.94
Risk-free interest rate (%)	1.58 to 1.91	1.94
Expected life (years)	0.88 to 2.89	3.09
Share price	$0.72	$0.72

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. AUDITOR'S REMUNERATION

	2019 $	2018 $
Ernst & Young		
Audit and assurance services		
- Audit and review of the financial reports of the Group	310,366	305,540
- Share of audit and review costs of the financial reports of the Group's joint ventures		
- audit related fees	4,154	6,499
Non-assurance services	8,468	-
Total auditor's remuneration	**322,988**	**312,039**

32. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the sum of the weighted average number of ordinary shares outstanding during the year (adjusted for treasury shares) and the weighted average number of ordinary shares, if any, that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	2019 $'000	2018 $'000
Profit attributable to ordinary equity holders of the Parent	16,439	31,347

	2019 Number	2018 Number
Weighted average number of ordinary shares for diluted EPS	403,146,462	386,247,296
Treasury shares	(762,619)	(495,632)
Weighted average number of ordinary shares for basic EPS	402,383,843	385,751,664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	2019 $'000	2018 $'000
Balance Sheet		
Current assets	69,255	61,959
Total assets	**232,541**	**225,245**
Current liabilities	6	6
Total liabilities	**6**	**6**
Shareholders' equity		
Contributed equity	174,509	167,943
Reserves		
- Share-based payment reserve	4,626	3,896
Retained earnings	53,400	53,400
Total equity	**232,535**	**225,239**
Profit for the year	-	-
Total comprehensive income for the year	-	-

(b) Guarantees entered into by the Parent Entity

The Parent Entity has not provided any guarantees other than those mentioned in notes 14(a), 14(c), 23(c) and 35.

(c) Contingent liabilities of the Parent Entity

Please refer to note 35 for details of the Parent Entity's contingent liabilities.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. COMMITMENTS

Operating lease commitments – Group as lessee

Operating leases include property, display homes, computer equipment leases and leases for motor vehicles provided under novated leases. Certain property leases include inflation escalation and market review clauses. No renewal or purchase options exist in relation to operating leases, and no operating leases contain restrictions on financing or other leasing activities.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2019 $'000	2018 $'000
Operating leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	2,259	2,255
After one year, but not more than five years	2,003	1,977
Total operating leases	**4,262**	**4,232**
Represented by:		
Non-cancellable operating leases	3,822	3,754
Cancellable operating leases	440	478
Total operating leases	**4,262**	**4,232**

35. CONTINGENCIES

Unsecured

Cross guarantees

The Parent Entity has entered into deeds of cross guarantee in respect of the debts of certain of its controlled entities as described in note 23(c).

Contract performance bond facilities

The Parent Entity has entered into Deeds of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to the Contract performance bond facilities. Details of these entities are set out in note 23(a). Contingent liabilities in respect of certain performance bonds, granted by the Group's financiers, in the normal course of business as at 30 June 2019 amounted to $39,812,000 (2018: $28,531,000). No liability is expected to arise.

Legal issues

From time to time a controlled entity defends actions served on it in respect of rectification of building faults and other issues. An accrual is taken up for legal costs if a present obligation exists and there is a high degree of certainty on the amount payable. In cases where costs have been estimated after the exercise of judgement, a provision is taken up.

Secured

Banking facilities

The Parent Entity has entered into a cross deed of covenant with various controlled entities to guarantee the obligations of those entities in relation to the banking facilities. Details of these entities are set out in note 23(a).

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Group bankers in the normal course of business to unrelated parties, at 30 June 2019, amounted to $16,177,000 (2018: $4,943,000). No liability is expected to arise.

Financial guarantees

Financial guarantees granted by the Group's bankers to unrelated parties in the normal course of business at 30 June 2019, amounted to $1,148,000 (2018: $2,135,000). No liability is expected to arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

a. the Group's operations in future financial years; or
b. the results of those operations in future financial years; or
c. the Group's state of affairs in future financial years.

37. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group applied AASB 9 and AASB 15 for the first time from 1 July 2018. AASB 16 is not mandatory for the year ended 30 June 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have a significant impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

AASB 9 Financial Instruments: (applied for the Group 1 July 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and a new impairment model for financial assets.

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets at fair value through profit or loss are carried in the *Statement of Financial Position* at fair value with net changes in fair value recognised in the *Statement of Profit or Loss.*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies the Standard's simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The adoption of AASB 9 did not have a material impact and no adjustments have been made on transition.

AASB 15 Revenue from Contracts with Customers: (applied to the Group 1 July 2018)

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The core principle of AASB 15 is that revenue is recognised when control of goods or services passes to the customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. In addition, the standard requires extensive disclosures.

The adoption of AASB 15 did not have any impact on land and built form revenue previously recognised on settlement.

However, the standard materially impacted revenue from land sales previously recognised before settlement. Under the previous standard, AVJennings recognised revenue when the contract for sale was unconditional, significant risks and rewards of ownership had transferred to the buyer, and there was no managerial involvement to a degree usually associated with ownership. AASB 15 is based on the principle that revenue is recognised at a point in time when control of the land or built form passes to the customer. For each sales contract, the relevant facts and circumstances are considered in determining the point at which control passes. Summarised below are the types of contractual arrangements where revenue will continue to be recognised prior to settlement:

- Revenue from land sold on deferred terms to builders in New Zealand. The builder gains control of the land on completion of the physical works and can commence building at that point.
- Sales of englobo land on deferred terms. Control passes when the contract is unconditional, physical works are complete and the purchaser has unfettered rights to the land before settlement.
- Revenue from land sales to builders in Australia under put and call arrangements, where the builder is the ultimate purchaser and not a conduit between AVJennings and a retail purchaser. The builder gains control of the land on completion of the physical works and can commence building at that point.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

AASB 15 Revenue from Contracts with Customers (continued)

Except for those circumstances detailed above, all sales will be recognised on settlement under AASB 15.

The Group adopted AASB 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018.

The cumulative effect of initially applying AASB 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information is not restated and continues to be reported under AASB 118 and related interpretations.

Revenue (and associated costs of sales) recognised on sales contracts with builders in Australia which were unconditional but where control had not passed at 30 June 2018, have been reversed through opening retained earnings. The reversal has impacted balance sheet accounts that recorded the original recognition.

The effect of adopting AASB 15 as at 1 July 2018 was as follows:

Assets	**Note**	**Increase/ (decrease) $000**
Receivables	(a)	(64,475)
Inventories	(b)	47,533
Total adjustment on assets		**(16,942)**
Liabilities		
Payables	(c)	(96)
Deferred tax liabilities	(d)	(5,054)
Total adjustment on liabilities		**(5,150)**
Equity		
Retained earnings	(e)	(11,792)
Total adjustment on equity		**(11,792)**

(a) Revenue from land sales contracts reversed.

(b) Cost, including capitalised costs relating to contracts reversed.

(c) Sales commissions on contracts reversed.

(d) Tax effect of profit on reversed contracts.

(e) The post tax profit on contracts reversed.

The adoption of AASB 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows.

Following, are the amounts by which each financial statement line item is affected as at, and for, the year ended 30 June 2019 as a result of the adoption of AASB 15. The first column shows amounts prepared under AASB 15 and the second column shows what the amounts would have been had AASB 15 not been adopted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

AASB 15 Revenue from Contracts with Customers (continued)

		Amounts prepared under		
	Note	AASB 15 $'000	Previous AASB $'000	Increase/ (decrease) $'000
Continuing operations				
Revenue from contracts with customers	(a)	296,467	-	(296,467)
Sales of land and built form	(a)	-	246,110	246,110
Management fees	(a)	-	4,824	4,824
Revenue		**296,467**	**250,934**	**(45,533)**
Cost of sales	(b)	(223,900)	(189,678)	34,222
Gross profit		**72,567**	**61,256**	**(11,311)**
Share of net loss of joint ventures		(274)	(274)	-
Provision for loss on equity accounted investments		(607)	(607)	-
Fair value adjustment of financial asset		(669)	(669)	-
Fair value adjustment to investment property		800	800	-
Selling and marketing expenses	(c)	(6,865)	(6,806)	59
Employee expenses		(25,711)	(25,711)	-
Other operational expenses		(8,591)	(8,591)	-
Management and administration expenses		(8,071)	(8,071)	-
Depreciation expense		(252)	(252)	-
Finance income		1,315	1,315	-
Finance costs		(159)	(159)	-
Other income		356	356	-
Profit before income tax		**23,839**	**12,587**	**(11,252)**
Income tax	(d)	(7,400)	(4,024)	**3,376**
Profit after income tax		**16,439**	**8,563**	**(7,876)**
Net profit		**16,439**	**8,563**	**(7,876)**
Other comprehensive income (OCI)				
Foreign currency translation		1,246	1,246	-
Other comprehensive income		**1,246**	**1,246**	**-**
Total comprehensive income		**17,685**	**9,809**	**(7,876)**
Profit attributable to owners of the Company		**16,439**	**8,563**	**(7,876)**
Total comprehensive income attributable to owners of the Company		**17,685**	**9,809**	**(7,876)**
Earnings per share (cents per share):				
Basic earnings per share		4.09	2.13	(1.96)
Diluted earnings per share		4.08	2.12	(1.96)

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

AASB 15 Revenue from Contracts with Customers (continued)

a. Revenue from "sales of land and built form" as well as "management fees" disclosed separately under the previous standard, are now included in "revenue from contracts with customers".
   The transition to AASB 15 resulted in a net revenue increase of $45,533,000 for the year in comparison to the revenue that would have been recognised had AASB 118 continued to apply. The increase results from the following offsetting items:

   - AASB 15 was adopted on 1 July 2018 using the modified retrospective approach. Under this approach, revenue previously recognised under AASB 118 on sales contracts with builders in Australia which did not satisfy the recognition criteria under AASB 15 at 30 June 2018, were reversed through opening retained earnings. During the year, $51,693,000 of revenue previously recognised under AASB 118 (which formed part of the $11,792,000 opening retained earnings reversal as disclosed on page 78), has been recognised under AASB 15 in the year to 30 June 2019 thereby increasing comparable revenue.

   - $6,160,000 of revenue relating to contracts at hand would have satisfied the revenue recognition criteria in the year to 30 June 2019 if AASB 118 continued to apply as significant risks and rewards were deemed to have passed. These contracts however, did not satisfy the recognition criteria under AASB 15 as control had not passed and thereby reduced the comparable revenue.

b. Cost and capitalised cost effects in relation to (a) above.

c. Sales commission adjustments in relation to (a) above.

d. Tax effect of (a), (b) and (c) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

AASB 15 Revenue from Contracts with Customers (continued)

	Note	Amounts prepared under AASB 15 $'000	Previous AASB $'000	Increase/ (decrease) $'000
Current assets				
Cash and cash equivalents		18,209	18,209	-
Receivables	(a)	15,088	34,030	18,942
Inventories	(b)	194,748	181,437	(13,311)
Other assets		2,392	2,392	-
Total current assets		**230,437**	**236,068**	**5,631**
Non-current assets				
Receivables		10,033	10,033	-
Inventories		430,261	430,261	-
Investment property		1,770	1,770	-
Equity accounted investments		6,649	6,649	-
Financial assets		2,211	2,211	-
Plant and equipment		1,059	1,059	-
Intangible assets		2,816	2,816	-
Total non-current assets		**454,799**	**454,799**	**-**
Total assets		**685,236**	**690,867**	**5,631**
Current liabilities				
Payables	(c)	41,234	41,271	37
Borrowings		543	543	-
Tax payable		3,179	3,179	-
Provisions		6,547	6,547	-
Total current liabilities		**51,503**	**51,540**	**37**
Non-current liabilities				
Payables		22,009	22,009	-
Borrowings		199,792	199,792	-
Deferred tax liabilities	(d)	15,173	16,851	1,678
Provisions		482	482	-
Total non-current liabilities		**237,456**	**239,134**	**1,678**
Total liabilities		**288,959**	**290,674**	**1,715**
Net assets		**396,277**	**400,193**	**3,916**
Equity				
Contributed equity		174,509	174,509	-
Reserves		8,882	8,882	-
Retained earnings	(e)	212,886	216,802	3,916
Total equity		**396,277**	**400,193**	**3,916**

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

AASB 15 Revenue from Contracts with Customers (continued)

a. Trade receivables are higher as more revenue is recognisable prior to settlement, under the recognition criteria in the previous standard.
b. Lower inventory under the previous standard is a consequence of more revenue being recognisable as per (a) above.
c Sales commissions payable are higher under the previous standard as more revenue is recognisable.
d. Tax effect of higher revenue recognisable under the previous standard.
e. The post tax effect of higher revenue recognisable under the previous standard.

AASB 16 Leases: (applicable for the Group 1 July 2019)

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. AASB 16, requires more extensive disclosures than under AASB 117.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., computers, printing and photocopying machines) that are considered of low value.

AVJennings has performed an assessment of AASB 16 on its existing operating lease arrangements as a lessee. Based on the assessment and using a discount rate of 5.68%, the Group would recognise right of use assets of under 1% of total assets and lease liabilities under 2% of total liabilities if the Standard were to be implemented at 1 July 2019.

The Group intends to adopt AASB 16 from 1 July 2019 using the modified retrospective approach.

38. OTHER ACCOUNTING POLICIES

Significant accounting policies relating to particular items are set out in the relevant notes. Other significant accounting policies adopted in the preparation of the Financial Report are set out below.

a. Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of AVJennings Limited and its subsidiaries as at 30 June 2019. Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated from the date control ceases.

The Financial Statements of subsidiaries are prepared for the same period as the Parent, adopting consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows are fully eliminated in preparing the Consolidated Financial Statements.

The AVJ Deferred Employee Share Plan Trust was formed to administer the Group's employee share scheme. This Trust is consolidated, as the substance of the relationship is that the Trust is controlled by the Group. Shares held by the Trust are disclosed as treasury shares and deducted from contributed equity.

b. Business combinations

Business combinations are accounted for using the acquisition method. This involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

c. Leases

Leases where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. The Group did not have any finance leases at year end.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the *Consolidated Statement of Financial Position* based on their nature.

d. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or as part of the cost of acquisition of the asset or the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the *Consolidated Statement of Financial Position*. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the *Consolidated Statement of Cash Flows* on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

e. Foreign currency translation

(i) Functional and presentation currency

The Group's functional and presentation currency is Australian Dollars.

(ii) Translation of Group Companies' functional currency to presentation currency

The results and financial positions of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each *Statement of Financial Position* presented are translated at the closing rate at the date of that *Statement of Financial Position*;
- income and expenses for each *Statement of Comprehensive Income* are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Financial Statements.

DIRECTORS' DECLARATION.

In accordance with a resolution of the Directors of AVJennings Limited, we state that:

1) In the opinion of the Directors:
   - i) the Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*, including;
     - a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of their performance for the year ended on that date; and
     - b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;
   - ii) the *Consolidated Financial Statements* and Notes also comply with International Financial Reporting Standards as disclosed in note 27; and
   - iii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.
3) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 23 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Simon Cheong
Director
5 September 2019

Peter Summers
Director

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Members of AVJennings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AVJennings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

1. Net realisable value (NRV) of inventories

Why significant

Approximately 91% of the Group's total assets comprise development inventories. Inventories are carried at the lower of cost and net realisable value and the directors assess this with reference to the following:

- Capitalised costs to date
- Forecast costs to complete
- Average historic and forecast selling price and sales rate per project
- Changes to the underlying assumptions based on the impact of changing market conditions and changes to strategy

This was considered a key audit matter as it involves a significant degree of judgment and can present a range of alternative outcomes.

There is judgment involved in determining the appropriate allocation of cost of sales recognised upon the realisation of inventories.

Disclosure of inventories is included in Note 7 of the financial report.

Disclosure of significant judgments is included in Note 20 of the financial report.

How our audit addressed the key audit matter

Our audit procedures focused on assessing the judgments and assumptions made by the Group in the feasibilities underpinning the net realisable value assessments.

Our procedures included the following:

- Assessed and tested the effectiveness of relevant controls over cost accumulation
- Interviewed Project Managers to understand the status and progress of a sample of developments
- Assessed the impairment methodology, project margin analysis and feasibility models prepared by management for a sample of developments in progress
- Identified higher risk projects, based on our judgment, and evaluated the assumptions adopted. In doing so, we:
  - Compared the forecast sales revenue assumptions to the most recent historical or comparable sales and external market data
  - Corroborated the costs projected to signed contracts or actual costs incurred for current or comparable projects
  - Assessed contingency estimates for remaining development risks
  - Selected a sample of identified higher risk projects in which we involved our internal real estate valuation specialists to evaluate the key sales revenue assumptions in these projects
- Performed sensitivity analyses in relation to the key forward looking assumptions including sales price achieved, cost per lot and escalation rates
- Tested the mathematical accuracy of the feasibilities tested.

Building a better working world

2. Revenue recognition and implementation of AASB 15 Revenue from Contracts with Customers

Why significant

The Group adopted *AASB 15 Revenue from Contracts with Customers* on 1 July 2018.

Under AASB 15, the Group recognises revenue when control of the asset has been transferred to the customer, generally close to, or at settlement. Previously under *AASB 118 Revenue*, the Group recognised revenue from asset sales prior to settlement when the significant risks and rewards of ownership had been transferred to the customer.

Upon adoption of AASB 15, the Group elected to apply the modified retrospective method resulting in a decrease to retained earnings of $11.8m.

Disclosure of the Group's revenue recognition policy is included in Note 2 of the financial report.

We consider revenue recognition to be a key audit matter due to the significance of the impact of the adoption of AASB 15 on retained earnings, as well as the judgment exercised by the Group when applying the requirements of the Standard and determining at what point in time revenue is recognised.

Disclosure of the Group's adjustments on transition together with additional disclosure on revenue from contracts with customers for the year ended 30 June 2019 is included in Note 37 of the financial report.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed whether the Group's revenue recognition policy is set out in accordance with the requirements of AASB 15.
- Tested the recognition of revenue for a sample of sales to ensure compliance with the Group's revenue recognition policy and whether revenue has been recognised in the correct period. In doing so, for identified samples, we examined the underlying sales contracts; settlement documentation and noted the cash proceeds received.
- Tested the completeness of the contract population used by the Group for determining the retained earnings adjustment on adoption of AASB 15.
- Tested a sample of contracts within the retained earnings adjustment recorded by the Group to determine whether the adjustment has been appropriately calculated under adoption of AASB 15.
- Tested the arithmetic accuracy of the calculations used by the Group to determine the retained earnings adjustment.
- Assessed the adequacy of the related disclosures in the financial report.

Building a better working world

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Building a better working world

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of AVJennings Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

G L Maris

Glenn Maris
Partner
Sydney
5 September 2019

Shareholder Information.

As at 4 October 2019.

1. NUMBER OF SHAREHOLDERS AND DISTRIBUTION OF EQUITY SECURITIES

	Australian Securities Exchange	Singapore Exchange	Total
Range of Holdings of Ordinary Shares			
1 - 1,000	616	265	881
1,001 - 5,000	803	583	1,386
5,001 - 10,000	333	190	523
10,001 - 100,000	857	204	1,061
100,001 - and over	173	26	199
Total number of holders	**2,782**	**1,268**	**4,050**
Number of holders of less than a marketable parcel	**526**	**245**	**771**

2. SUBSTANTIAL SHAREHOLDERS

As disclosed by latest notices received by the Company:

Name	Ordinary Shares	%
SCGlobal Developments Pte Ltd	218,881,387	53.88

Shareholder Information.

As at 4 October 2019.

3. TWENTY LARGEST SHAREHOLDERS ON THE AUSTRALIAN REGISTER

Name	Ordinary Shares	%
The Central Depository (Pte) Ltd	225,444,311	55.50
BNP Paribas Nominees Pty Ltd <DRP>	16,258,796	4.00
Citicorp Nominees Pty Ltd	13,098,338	3.22
HSBC Custody Nominees (Australia) Ltd	12,853,617	3.16
Brazil Farming Pty Ltd	11,000,000	2.71
Pacific Custodians Pty Ltd	6,413,131	1.58
Gillcorp Pty Limited	6,343,003	1.56
John E Gill Operations Pty Ltd	5,609,105	1.38
John E Gill Trading Pty Ltd	5,598,712	1.38
Horrie Pty Ltd	3,747,931	0.92
JP Morgan Nominees Australia Ltd	3,443,181	0.85
Luton Pty Ltd	2,860,853	0.70
Mr Bradley John Newcombe	2,200,000	0.54
URB Investments Ltd	2,077,631	0.51
Mr D R M Gill and Mrs J M Gill <Gill Super Fund A/c>	1,958,511	0.48
Ago Pty Ltd	1,948,861	0.48
Jamplat Pty Ltd	1,713,401	0.42
Hillmorton Custodians Pty Ltd	1,293,054	0.32
Di Iulio Homes Pty Ltd	1,258,172	0.31
Peter Summers	1,225,095	0.30
Total	**326,345,703**	**80.34**

Shareholder Information.

As at 4 October 2019.

4. TWENTY LARGEST SHAREHOLDERS ON THE SINGAPORE REGISTER

Name	Ordinary Shares	%
UOB Nominees (2006) Pte Ltd	192,463,638	47.38
United Overseas Bank Nominees Pte Ltd	12,036,791	2.96
Trimount Pte Ltd	1,782,618	0.44
Oei Hong Leong Foundation Pte Ltd	1,570,170	0.39
Lim Chin Tiong or Sim Lye Wan	1,408,420	0.35
Tsang Sze Hang	899,283	0.22
DBS Nominees Pte Ltd	818,029	0.20
Rowland Wong Kwok Ho	804,175	0.20
Raffles Nominees (Pte) Ltd	734,910	0.18
Vesmith Investments Pte Ltd	681,796	0.17
Pansbury Investments Pte Ltd	532,828	0.13
Citibank Nominees Singapore Pte Ltd	470,515	0.12
Hexacon Construction Pte Ltd	368,480	0.09
UOB Kay Hian Pte Ltd	341,134	0.08
OCBC Nominees Singapore Pte Ltd	271,537	0.07
Teo Chiang Long	269,172	0.07
Ng Poh Cheng	233,131	0.06
Wee Kim Choo @ Elizabeth Sam	224,820	0.06
Chng Bee Suan	224,220	0.06
Chua Hung Koon Edmond	216,873	0.05
Total	**216,352,540**	**53.26**

Percentages are calculated on the total number of shares on issue.

5. VOTING RIGHTS

Ordinary Shareholder

On a show of hands, every member present in person on by representative, proxy or attorney shall have one vote, and on a poll each fully paid share shall have one vote.

6. TOTAL NUMBER OF SHARES

The total number of shares on issue and listed on the Australian Securities Exchange is 406,230,728.

Company Particulars.

DIRECTORS

Mr Simon Cheong
Mr Jerome Rowley
Mrs Elizabeth Sam
Mr Bobby Chin
Mr Lai Teck Poh
Mr Bruce Hayman
Mr Tan Boon Leong
Mr Philip Kearns
Mr Peter Summers

COMPANY SECRETARY

Mr Carl Thompson

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 4, 108 Power Street
Hawthorn Vic 3122
Telephone 61 3 8888 4800

AUDITORS

Ernst & Young
200 George Street
Sydney NSW 2000

BANKERS

Commonwealth Bank of Australia Ltd and
Bankwest Division
DBS Bank
HSBC Bank Australia Ltd
United Overseas Bank Ltd
Oversea-Chinese Banking Corporation Ltd

STOCK EXCHANGE LISTINGS

Australia
The Company is listed on:
The Australian Securities Exchange
Level 4, 525 Collins Street
Melbourne VIC 3000

Singapore
The Company's shares are also quoted and traded on:
The Singapore Exchange
11 North Buona Vista Drive #06-07
The Metropolis Tower 2
Singapore 138589
through SGX Globalquote (formerly known as
the Central Limit Order Book System (CLOB)).

SHARE REGISTRY

Australia
Link Market Services Ltd
Tower 4
727 Collins Street, Docklands Vic 3008
Telephone: +61 1300 554 474

Singapore
The Central Depository (Pte) Ltd
11 North Buona Vista Drive #06-07
The Metropolis Tower 2
Singapore 138589
Telephone +65 6535 7511

DIVIDENDS

Dividends paid in the year under review:
Final Dividend of $0.03 for FY18 paid on
11 October 2018
Interim Dividend of $0.01 for FY19 paid on
22 March 2019

Building on our past. Shaping your future.

Your community developer.